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# AFGHANISTAN TRADE AND REVENUE (ATAR) PROJECT

Quarterly Report for January-March 2014



ATAR worked with other USAID projects to support Afghanistan's participation in Gulfood 2014 in Dubai and in taking Afghan traders on trips to Dubai markets. The traders signed more than \$8 million in deals.

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# AFGHANISTAN TRADE AND REVENUE (ATAR) PROJECT

## Quarterly Report for January-March 2014

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The Baron Hotel Compound  
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Kabul, Afghanistan

### **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## CONTENTS

ACRONYMS .....	4
INTRODUCTION .....	5
COMPONENT 1: SUPPORT TRADE POLICY LIBERALIZATION .....	6
1. WTO Accession Process .....	6
2. Legislative Reforms for WTO Conformity.....	8
3. Sustainable Capacity for the Fulfillment of Key WTO Commitments.....	13
4. Capacity and Sustainability of the Afghan National Standards Authority .....	18
5. Building Capacity and Sustainability of MOCI's WTO Unit for Post-Accession .....	19
6. Building Analytical Capacity.....	19
7. Building Nationwide WTO Awareness .....	22
COMPONENT 2: FACILITATE ENHANCED ACCESS TO REGIONAL MARKETS .....	23
1. Afghanistan .....	23
2. The Kyrgyz Republic .....	29
3. Tajikistan.....	31
4. Turkmenistan .....	34
5. Uzbekistan.....	35
6. Region-wide.....	35
COMPONENT 3: IMPROVED CUSTOMS ADMINISTRATION .....	37
1. Tax Administration .....	37
2. Customs Reform .....	38

## ACRONYMS

ACD	Afghanistan Customs Department
ANSA	Afghan National Standards Authority
ARD	Afghanistan Revenue Department
ASYCUDA	Automated System of Customs Data
ATAR	Afghanistan Trade and Revenue project
CAR	Central Asian Republics
CAREC	Central Asia Regional Economic Cooperation
CBTA	Cross Border Transport of Persons, Vehicles, and Goods Agreement
CSO	Central Statistics Office
DFID	Department for International Development
EGGI	Economic Growth and Governance Initiative
EPAA	Export Promotion Agency of Afghanistan
GDP	Gross Domestic Product
GIROA	Government of the Islamic Republic of Afghanistan
GSP	Generalized System of Preferences
IPPC	International Plant Protection Convention
LTO	Large Taxpayer Office
MAIL	Ministry of Agriculture, Irrigation, and Livestock
MFN	Most Favored Nation
MOCI	Ministry of Commerce and Industries
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOI	Ministry of Interior
MOIC	Ministry of Information and Culture
MOJ	Ministry of Justice
MOPH	Ministry of Public Health
TAFa	Trade Accession and Facilitation for Afghanistan I and II projects
TAP	Tax Administration Program
TARVAL	Tariff and Valuation Management Tool
TBD	To Be Determined
TPAU	Trade Policy Analysis Unit
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
VAT	Value Added Tax
WTO	World Trade Organization

## INTRODUCTION

USAID designed the Afghanistan Trade and Revenue (ATAR) project so that Afghanistan could realize its full potential in the global trading market. ATAR will provide assistance to strengthen the business climate of Afghanistan to enable private investment, enhanced trade, job creation, and fiscal sustainability through this critical transition period. The project builds upon a number of trade activities begun under USAID's Trade Accession and Facilitation for Afghanistan projects (TAFA and TAFA II, 2009 to 2013); USAID's Economic Growth and Governance Initiative (EGGI, 2009 to 2013); and the Department for International Development's (DFID) Tax Administration Program (TAP, 2012 to 2015).

ATAR is tasked with:

1. Improving the capacity of the Government of the Islamic Republic of Afghanistan (GIROA) to create and implement a liberal policy framework for trade and investment in accordance with international standards;
2. Enhancing integration in the regional and world economy through the promotion of trade and agreements, enhanced governance of corridors, and private-sector linkages throughout South and Central Asia;
3. Strengthening revenue generation for fiscal sustainability and trade facilitation through reforms and anti-corruption measures in customs and taxation.

These objectives will be achieved through three ATAR components:

### *Component 1: Support Trade Policy Liberalization*

Component 1 will promote liberalization of Afghanistan's trade regime by supporting its accession to the World Trade Organization (WTO). This support will be accomplished by building the necessary capacity and providing technical assistance within the implementing institutions to conduct negotiations, draft legislation, and institute reforms required to improve the trade regime within the region and meet WTO requirements. The policies, laws, and regulations will attract investment and enable the private sector to grow and prosper.

### *Component 2: Facilitate Enhanced Access to Regional Markets*

Under Component 2, ATAR will (1) facilitate the development and implementation of regional trade agreements; (2) assist GIROA to support measures needed to implement regional trade agreements; and (3) support the implementation of the Central Asia Regional Economic Cooperation (CAREC) Corridors 5 and 6 by working with countries such as Uzbekistan, Tajikistan, the Kyrgyz Republic, and Turkmenistan. Additionally, this component may support USAID's regional economic zone (REZ) strategy.

### *Component 3: Improved Customs Administration*

Component 3 will (1) enhance capacity GIROA to generate revenue through implementation of value added tax (VAT), in combination with outreach and enforcement; (2) improve customs procedures to increase transparency, efficiency, and uniformity in the collection of revenue, performance of core functions, and facilitation of trade. Component 3 will build GIROA's capacity to generate revenue, through both tax and customs, to facilitate sustainable economic growth and trade and reduce GIROA dependence on donor funding.

## COMPONENT I: SUPPORT TRADE POLICY LIBERALIZATION

### I. WTO Accession Process

#### Conclusion of bilateral negotiations

In a major step toward World Trade Organization (WTO) accession, Afghanistan concluded its bilateral negotiations on goods and services, which is a major milestone in the accession process of Afghanistan. The Schedule of Concessions and Commitments on Goods and the Schedule of Specific Commitments on Services constitute two of the three major technical documents (the third being the Draft Working Party Report) forming the Accession Package.

In January, Afghanistan concluded bilateral negotiations with the United States on market access for U.S. goods and services entering Afghanistan. During the month, ATAR had supported Afghanistan in finalizing aspects of the negotiations, including acceptance of Initial Negotiation Rights (INR) for 97 agricultural items proposed by the United States, acceptance of two additional items under the Information Technology Agreement (ITA), and updating the ITA schedule. ATAR further assisted Afghanistan's Ministry of Commerce and Industries (MOCI) in providing clarifications to resolve issues related to Trade-Related Investment Measures (TRIMS), particularly those concerning procurement of services by contractors under the 2009 hydrocarbon law and by license holders under the 2009 mineral law and the draft mineral law.

On January 19, Afghanistan and the United States signed the protocol on market access on goods and services at MOCI. "When Afghanistan becomes a WTO member, the international trade community will gain more confidence as Afghanistan will have committed to international rules of trade," said MOCI Deputy Minister for Trade during the signing ceremony. Local media covered the event.

In February, Afghanistan formally signed bilateral protocols on goods and services in Geneva with four remaining countries – Turkey, Chinese Taipei, Korea, and the European Union. ATAR supported this process in reviewing and finalizing the draft protocols and schedules prior to signing.

In total, Afghanistan has signed bilateral protocols with nine countries. As a result, the WTO finalized Afghanistan's draft consolidated schedule of concessions and commitments on goods and the draft schedule of specific commitments on services in February. ATAR supported MOCI in finalizing this process with the WTO, including verifying the bilateral schedules and the consolidated schedules.

On Feb. 14, the WTO circulated the draft consolidated schedules for verification by the nine countries with which Afghanistan had bilateral negotiations: the United States, the European Union, Canada, Japan, Turkey, Thailand, Korea, Chinese Taipei, and Norway. On Feb. 27, representatives from the nine countries held an informal working group meeting on technical verification at the WTO headquarters in Geneva and confirmed the two schedules. The countries completed the technical verification and agreed to the official circulation of the final schedules to other Working Party members.

## **Preparation for fifth Working Party meeting**

The WTO Secretariat circulated Afghanistan's accession package to WTO members in preparation for Afghanistan's fifth Working Party meeting at WTO headquarters in Geneva, Switzerland. The accession package includes the consolidated schedule of specific commitments on services, the schedule of concessions and commitments on goods, the draft Working Party Report, and the draft protocol of accession.

With the help of ATAR, Afghanistan's draft Working Party Report and its legislative action plan were updated in early March. ATAR updated the Dari draft Working Party Report to keep the document in line with the English text.

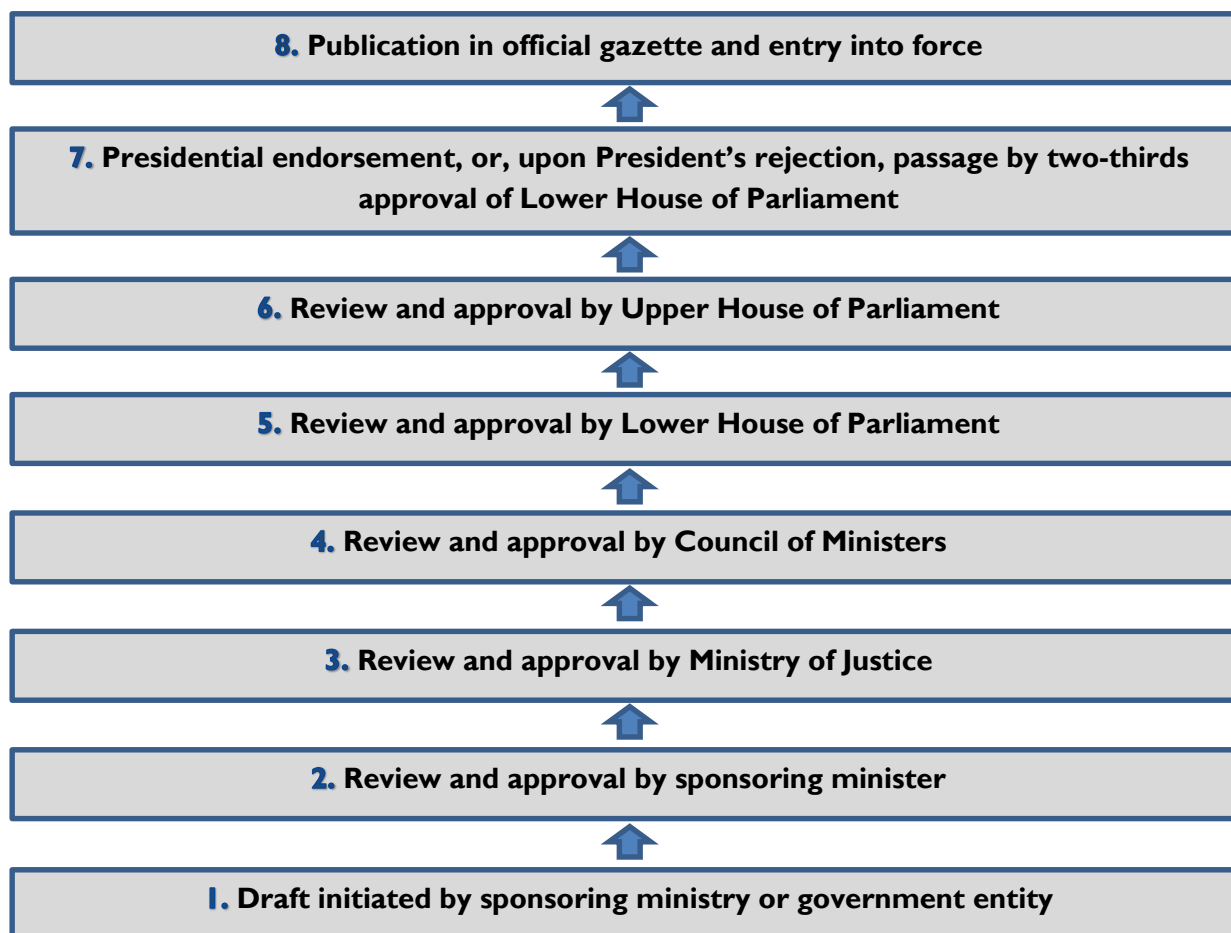
During February, ATAR assisted in the development of the draft Information Technology Agreement (ITA) schedule, including meeting at the WTO to address gaps and inconsistencies. The WTO finalized Afghanistan's draft ITA schedule on Feb. 21 and circulated the schedule to its ITA Committee for review and confirmation. Under the ITA, participating countries eliminate duties on information technology products covered by the agreement.

Afghanistan and Working Party members have completed preparation enabling the fifth Working Party meeting, which was initially set for the final week of March 2014. Mainly due to delays in securing government approval for the Afghan delegation to travel to the WTO in Geneva and the approaching presidential election, the Fifth Working Party meeting was postponed until May 2014. No specific date has been set yet in May 2014.



## 2. Legislative Reforms for WTO Conformity

Afghanistan must bring a number of trade-related laws to international standards to join the WTO. Although concessions are made for least-developed countries such as Afghanistan, WTO members expect full compliance before accession in major legal areas related to trade policy. ATAR is working with GIROA to reform and implement these laws – a lengthy, complex process outlined in the below chart.<sup>1</sup>



<sup>1</sup> This chart is a greatly simplified illustration of the intricate and lengthy process of drafting and passing a law. At certain stages, relevant government bodies and private-sector representatives are invited multiple times to offer input on the draft law, or the draft law is circulated to various committees or departments within the sponsoring ministry or MOJ for review and changes. The draft law may be rejected at any stage and returned to the preceding stage for revisions.



## MOJ partnership and MOJ legislative action plan

The table below provides the status of WTO-related legislative actions at the end of March. ATAR's active areas of support during this reporting period are highlighted in light blue in the table. During this quarter, the following were major achievements:

1. The Draft Law on Trademarks was approved by the Council of Ministers and submitted to the Parliament.
2. The Draft Law on Plant Protection and Quarantine was submitted by the Ministry of Justice to the Council of Ministers.
3. The Draft Law on Geographical Indications was submitted by the Ministry of Justice to the Council of Ministers.
4. The Draft Law on Customs was submitted by the Ministry of Justice to the Council of Ministers.
5. The Draft Law on Supporting the Rights of Inventors and Discoverers was submitted by the Ministry of Justice to the Council of Ministers.
6. The Draft Law on Animal Health and Veterinary Public Health was submitted by MAIL to MOJ.
7. The Procedure Customs Control of Intellectual Property Rights (IPR) (Intellectual Property Border Enforcement) submitted to the Minister of Finance for signing

Status of Legislation Necessary for WTO Accession and Integration into the Global Trading Community as of end of March 2014			
No.	Legislation	Responsible Authority	Status
1.	Amendments to the 2005 Customs Law	Afghanistan Customs Department (ACD)	During the reporting period, the Executive Board <sup>2</sup> agreed on all remaining draft articles of the Customs Law except one. The remaining article and two issues are not a matter of WTO concern or consistency. For this reason, these matters can be resolved at the level of Council of Ministers. ATAR held daily meetings with all levels of MOJ to urge the submission of the Customs Law to the Council of Ministers before March 20. On March 19, the draft Amendments to the Customs Law was successfully submitted to the Council of Ministers.
2. <sup>3</sup>	Procedure on Customs Valuation (including interpretative notes and software and interest charge valuation)	ACD	The draft has been prepared at ACD and does not need review by MOJ since it is a procedure. Fine-tuning of article referencing will be required after the draft customs law is adopted. The Minister of Finance will adopt the draft procedure once the draft customs law is adopted.
3.	Procedure on Advance Ruling on Binding Decisions (covering advance origin rulings)	ACD	The draft has been prepared at ACD and does not need review by MOJ since it is a procedure. Fine-tuning of article referencing will be required after the draft customs law is adopted. The Minister of Finance will adopt the draft procedure once the draft customs law is adopted.
4.	Law on Standards and Technical Regulations	Afghan National	ATAR received initial comments and suggested revisions to the draft from the ANSA Management Board. ATAR

<sup>2</sup> The MOJ Executive Board is the last step before submission of the draft to the Council of Ministers

<sup>3</sup> Procedures do not require Council of Ministers or Parliament approval and need only be approved by the Minister. Regulations require MOJ review followed by adoption by the Council of Ministers.

		Standards Authority (ANSA)	reviewed the comments and suggested revisions. ATAR expects the Management Board will complete its review during next quarter. To date, the Management Board has reviewed and approved 22 of 32 articles.
5.	Law on Plant Protection and Quarantine	Ministry of Agriculture, Irrigation, and Livestock (MAIL)	ATAR assisted MOJ in its final approval of the draft law. MOJ submitted the draft to the Council of Ministers on January 6. ATAR assisted MOCI in preparing a letter to MOJ, Council of Ministers, and National Assembly to introduce a few changes to ensure compliance with WTO.
6.	Law on Animal Health and Veterinary Public Health	MAIL	During the first half of February, a milestone was achieved: MAIL submitted the draft law to MOJ. In addition, MAIL sent a letter to MOJ requesting the law be included in MOJ's 1393 legislative plan. In the second half of February, ATAR worked with MAIL's legal department on introducing an amendment to the draft. ATAR followed up with MOJ's relevant legal department to inform the department and take steps to begin the MOJ review of the draft law. Following concerns raised by MAIL, the draft was retracted for further modification before re-submission to MOJ. During the month of March, based on the instruction of the Minister of MAIL, the draft law was reviewed once more by the Legal Forum Working Group (LFWG). ATAR assisted in two Working Group meetings to share the draft with relevant experts and explain the need for certain provisions to ensure compliance with WTO and OIE standards. The draft will shortly be presented to the Minister for approval and re-submission to MOJ.
7.	Law on Food Safety	Ministry of Public Health (MOPH)	MOPH agreed to proceed with the version reviewed by WTO. The MOJ Taqneen Department has launched technical review with the assistance of ATAR.
8.	Procedure Customs Control of Intellectual Property Rights (IPR) (Intellectual Property Border Enforcement)	ACD	During the reporting period, the IPR procedure moved to the Ministry of Finance (MOF) for final approval and adoption by the Minister of Finance. In March, The MOF agreed to the draft without substantive changes. Upon return of the draft to ACD, however, one additional amendment was requested. After review of TRIPS compliance of the proposed amendment, the amendment was agreed. The approved draft is now anticipated to be signed by the Minister shortly.
9.	Amendments to the Law on Supporting the Rights of Inventors and Discoverers of 31 April 2009 (Patents Law)	MOCI	During this reporting period, ATAR held a series of meetings with the MOJ to resolve the 20 percent or so remaining questions and issues. In March, the majority of these issues were resolved in compliance with TRIPS. In a significant development, the law was successfully submitted to the Council of Ministers on March 19. MOJ noted in its submission letter to the Council of Ministers that ATAR experts may be available to participate in clarifying any issues in the draft law.

10.	Amendments to the Law on Trade Marks of 1 September 2009	MOCI	In a significant development, the Legal Committee of the Council of Ministers approved the draft law without substantive changes in the first half of February. In the second half of March, the law was then submitted to General Council of Ministers, chaired by President Karzai. In a highly significant move, President Karzai approved the trademarks law, which shall now be shortly submitted to parliament for approval. The law is concurrently being translated in Pashto.
11.	Amendments to the Law on Supporting the Right of Authors, Composers, Artists, and Researchers of 26 July 2008 (Copyrights Law)	Ministry of Information and Culture (MOIC)	During the reporting period, ATAR held several meetings with Mr. Sadar, Head of Economy and commercial department of MOJ and Senior Legal Adviser, Mr. Nazeer Zoy from the Ministry of Information and Culture (MoIC) to address certain provisions of the draft law to make sure the draft is in accordance with the requirements of WTO. The draft is awaiting final review by the MOJ Executive Board, which has not occurred yet due to the heavy workload of MOJ. ATAR met with Head of Legislative Executive Board Dr. Herawi and urge to resume work on the draft. ATAR also met with the Senior Legal Adviser of MOIC to urge LOIC to encourage MOJ to finalize its review. ATAR continues to work with both ministries to encourage submission to the Council of Ministers as soon as possible.
12.	Law on Geographical Indications	MOCI	The relevant MOJ legislative department completed its review. In a significant development, the MOJ approved and submitted the draft law to the Council of Ministers in February.
13.	Law on Industrial Designs	MOCI	The draft is at MOJ awaiting review by the relevant legislative department.
14.	Draft amendments to the Civil Procedure Code (Chapter Three)	MOCI	MOJ forwarded the draft to the Supreme Court of Afghanistan for its opinion.
15.	Law on Trade Secrets (undisclosed information)	MOCI	The draft is at MOJ awaiting review by the relevant legislative department.
16.	Law on Topography of Integrated Circuits	MOCI	The draft is at MOJ awaiting review by the relevant legislative department.
17.	Law on Consumer Protection (provisions on Unfair Competition)	MOCI	The relevant MOJ legislative department completed its review, and the draft law is awaiting submission to the MOJ Executive Board.
18.	Law on Plant Variety Protection	MAIL	ATAR began arranging meetings with the MAIL Deputy Minister to ensure that the law is formally submitted to MOJ for inclusion in the 1393 legislative agenda. In Tandem, ATAR received the comments of Stakeholders of MAIL and has assisted in reviewing the comments and ensure WTO-compatibility.
19.	Amendments to the Law on Publication and Enforcement of Legislation of 1998	MOCI/MOJ	The MOJ formally agreed to include the Publication Law into the 1393 legislative agenda. The WTO-consistent amendments, particularly with regard to transparency of trade-related laws and sufficient time-lapse between publication and enforcement to allow traders and interested parties to adapt to new laws appear to have been accepted by MOJ. Hence, the

			law may be prepared for submission to the Council of Ministers shortly.
20.	Amendments to the Regulation on Drafting Procedure and Processing of Legal Acts	MOCI/MOJ	The draft is at MOJ under review by the relevant legislative department. Throughout March, ATAR has been working with MOJ Legal Advisor Dr. Herawi to ensure that the draft Regulation is officially added to the legislative agenda of 1393.
21.	Law on Foreign Trade in Goods	MOCI	The draft is at MOJ under review by the relevant legislative department.
22.	Regulations on Import and Export Licensing	MOCI	The draft is finalized at MOCI and ready for submission to MOJ.
23.	Procedure on Customs Storage Fees	ACD	ACD finalized the draft, which is ready for submission to the Minister of Finance for signature. Throughout the reporting period, ATAR followed up with ACD on the need to adopt this procedure as soon as possible before the next Working Party meeting.
24.	Regulations of production and importation of medicines and medical equipment of 24 February 2007 (concerning fees)	MOPH	In the first half of February, ATAR continued efforts to seek MOPH approval to amend and remove certain discriminatory and WTO-inconsistent taxes and fees under the current regulation. ATAR was invited to an MOPH working group to discuss the amendments and explain why they are required. Thereafter, ATAR held a meeting with the head of the pharmacy department to urge speedy approval of the required amendments. ATAR was invited to participate in weekly working groups at MOPH. In the second half of February, the working group raised concerns on proposed reforms concerning loss in revenue from license and permit fees. In March, ATAR met Dr. Abdul Khalil Khakzad, Acting Pharmacy Department to discuss the concerns and held follow up meetings with Dr. Abdul Khalil Khakzad. While the MOPH has still not approved the amendments, progress has been made towards reaching an agreement to meet WTO requirements.
25.	Value Added Tax	MOF	The draft is in Parliament.
26.	Income Tax Law (concerning unequal treatment of import tax)	MOF	The draft is at MOF. ATAR met with the Afghanistan Revenue Department (ARD) Director General and ACD Director General in the first part of January to discuss the draft. ARD indicated the draft was finalized and submitted to MOJ in the latter half of January. MOJ has not yet confirmed the receipt of this draft.
27.	Law on Minerals	Ministry of Mines and Petroleum (MOM)	The draft is in Parliament. In the second half of February, ATAR met with USAID's Mining Investment and Development for Afghanistan Stability (MIDAS) project to discuss the draft law. The draft is under review by the Lower House and has not reached the Upper House. ATAR provided MIDAS with input on possible WTO implications of certain provisions of the draft law. In the second half of March, ATAR continued to follow up with the MIDAS project and update on potential implications of so-called "local content

			requirements” based on the latest developments in Afghanistan’s WTO accession process. In particular, issues discussed included the potential for a phasing out period of local content requirements in the draft law to bring provisions into compliance with WTO.
28.	Law on Safeguards Measures for Domestic Protection	MOCI	The draft is awaiting review by the relevant MOJ legislative department.

During January, ATAR completed the set-up of a permanent, spacious office at MOJ, which MOJ kindly provided to facilitate ATAR’s constant on-site assistance to the ministry on ongoing WTO legislation. The office has a capacity of six staff, and ATAR has embedded experts on a daily basis to provide consistent and rapid turnaround to MOJ queries and comments on draft legislation.

ATAR continued throughout the quarter to meet with all line ministries sponsoring or responsible for WTO-related laws, such as MOCI, MAIL, MOPH and others to ensure that they requested the MOJ to include all WTO-related draft laws within their authority in the MOJ’s 1393 Legislative Action Plan.

ATAR’s efforts were in response to MOJ’s annual letter in January to ministries and government agencies requesting them to indicate in writing their priority legislative items to be added to the MOJ legislative agenda for 1393. In tandem, ATAR has since February been working with all levels of MOJ to ensure that not only are the requests from line ministries to include WTO legislation received, but that they are in fact ultimately accepted by MOJ in the 1393 legislative agenda and that active progress is made on all WTO-required legislation during this year.<sup>4</sup>

During the quarter, ATAR also met with the MOJ Executive Board Members to ensure that ministries are submitting the correct WTO-related laws in their request. On Feb. 19, ATAR attended a working lunch and meeting with MOJ’s Executive Board, key advisors, and legal staff to follow up on items discussed at presentation given by USAID and ATAR on Feb. 17, discuss the 1393 agenda, and promote a dialogue with the Executive Board.

In March, in agreement with MOJ, ATAR drafted an MOU between ATAR and MOJ outlining the mutual roles and methods of cooperation between the parties to ensure consistent progress towards completing review of outstanding WTO-related laws. The draft has been translated into Dari and is under consideration of the MOJ for mutual signature.

### 3. Sustainable Capacity for the Fulfillment of Key WTO Commitments

#### Food safety law

Throughout the quarter, ATAR worked closely with officials in MOPH and its stakeholders to increase capacity for and understanding of activities necessary to support implementation of the draft Food Law. These efforts consisted of several coordinated initiatives. During January, ATAR prepared and translated

<sup>4</sup> It is noted that while in general WTO membership is a “package” of Agreements that must all be accepted, there are a small number of “plurilateral Agreements” which are not mandatory for WTO Membership. In the work plan, the clearest example is the WTO Agreement on Safeguards (upon which Afghanistan’s draft Safeguards Law is based), which allows WTO Members, in limited circumstances, to apply emergency protective measures against import surges of specific products.

into Dari the first nine of 15 models that MOPH can use as the basis for future regulations and/or ministerial procedures that supplement the future Food Law. These models were developed based upon Codex Alimentarius Commission recommendations and/or procedures in place in developed countries. Afghanistan committed to have implementing legislation adopted by the end of 2014.

In early February, ATAR met with MOPH to plan for six seminars explaining Codex Alimentarius guidelines and procedures that are the basis for many of the proposed documents. These seminars provide an opportunity to explain the role of the Codex Alimentarius Commission and how the adoption of Codex recommendations will help to insure the safety of imported food products and demonstrate the ability of Afghan food exports to meet international expectations. These meetings also sought agreement to establish a food regulations working group that will draft the needed regulations and procedures. The working group is composed of representatives from the relevant offices in MOPH, MAIL, MOCI, ANSA, MOJ, the private sector, and food experts from Kabul University. ATAR provides logistical and technical support for the activities of the working group. At MOPH's request, ATAR prepared an agreement between ATAR and MOPH regarding the planned activities and submitted it to MOPH for their review.

Meetings of the working group began in March. At the initial meeting, the MOPH Deputy Minister presented opening remarks to the 15 members and asked their support in developing the needed regulations and/or ministerial procedures. Following discussions at this meeting, participation in the working group was expanded to include all the members of the food committee of the National Medicine and Food Board at MOPH. The food committee is tasked with developing separate requirements to support the establishment of the future Food Control Authority. The working group met five times during the month. ATAR conducted three roundtables explaining the models for obtaining a food business identification number, enforcement measures for violations of the food law, and risk-based imported food controls. With ATAR's support, the working group completed its review, incorporated recommended modifications, and endorsed the first two documents.

Also during March, ATAR presented two seminars on Codex recommendations for MOPH staff and stakeholders that will be affected by the Food Law. The first seminar explained the principles for establishing a food import control system based upon the risks associated with specific foods. The second explained the process for determining the equivalence of food safety systems and/or sanitary measures. Equivalence is the state wherein sanitary measures applied in an exporting country, though different from the measures applied in an importing country, achieve the importing country's appropriate level of sanitary protection.



ATAR participated in and helped to organize the initial meeting of the food regulations working group at the Ministry of Public Health.

## Plant protection and quarantine law

In support of the law on plant protection and quarantine, ATAR began in early February reviewing the existing and draft regulations on plant quarantine services and identified provisions that are incomplete or inconsistent with International Plant Protection Convention (IPPC) standards. In the first half of February,



ATAR conducted three seminars on phytosanitary measures for staff of the Ministry of Agriculture, Irrigation and Livestock.

ATAR began working with MAIL to replace sections of the regulation with language that reflects IPPC standards. ATAR determined about 50 percent of the draft needs significant changes based on inconsistencies with international standards. ATAR met several times with MAIL's Plant Protection and Quarantine Directorate (PPQD) to explain the necessity of the changes.

In the latter half of February, ATAR held meetings with the PPQD director and his technical team to bring about the proposed changes. ATAR also delivered three seminars covering different International Standards for Phytosanitary Measures (ISPMs) relevant to MAIL's draft plant

protection and quarantine law to PPQD's top management and technical team.



ATAR assisted in conducting a roundtable on March 1 with respect to proposed changes to the Plant Protection and Quarantine Regulation. Among the attendees were the Director of the PPQD and his technical team. Separately, ATAR conducted a meeting with the Director and the technical team of PPQD on March 25 to review the changes that has been discussed in the March 1 roundtable.

### **Animal health and veterinary public health law**

ATAR finalized draft regulations and nine draft procedures on the law on animal health and veterinary public health for consideration by MAIL's Animal Health Department (AHD). ATAR will present these model regulations and procedures to MAIL in the first half of 2014, most probably starting in May and facilitate the formation of a working group for effective and proper implementation of the law on animal health and veterinary public health. At this stage, ATAR is assisting MAIL in implementation aspects most relevant to WTO and trade in live animals and animal products.

In the first half of March, ATAR held preparatory meetings with the AHD to organize workshops and working group sessions with respect to the Veterinary Control of Import and Export Regulations and related procedures. ATAR coordinated in this respect with Ms. Tania Dennison, project manager at the Animal Health Development Program (AHDP). In the second half of March, ATAR completed a two-day workshop and one-day roundtable on veterinary aspects of the WTO Sanitary and Phytosanitary Agreement and relevant standards to the proposed regulations/procedures. The workshop was held March 17-19, followed by a roundtable held on March 23. Key topics covered include:

- The SPS Agreement, in particular with respect to processes regulating the import and export of animals or animal products;
- The meaning of “equivalence”: Compliance with sanitary requirements for Afghan exports on the one hand; and Afghanistan setting up its own requirements which exporting countries need to comply with in order to import into Afghanistan;
- How to negotiate an “equivalence agreement”;
- The meaning of “appropriate level of protection” for animal health and food safety of animal products;
- Overview of the content of the draft Veterinary Control of Import and Export Regulation;
- Discussion on what issues need to be covered by regulation and related procedures needed to implement the regulation.

During these events, the first round of internal discussions on the draft Veterinary control of Import and Export regulation as well as the first 4 (of 11) procedures related to the implementation of the Regulation within the Animal Health Department (AHD) have been completed. Training materials were distributed to the participants in hardcopy and on DVD. The Animal Health Department (AHD) was strongly motivated to appoint their technical experts so that their opinion and experience could be reflected in the regulation.



## Law on copyrights and related rights

In February, ATAR completed materials to train judges and lawyers on the implementation of copyrights. ATAR prepared an article on copyrights protection in Afghanistan; a pamphlet on the implementation of the copyright law in Afghanistan; copyrights awareness materials in the field of music; and copyrights awareness for publishing.

In March, ATAR began preparation for a two-day training on intellectual property rights for judges and lawyers to be delivered at MOIC on April 13-14 and for a second one-day training at MOIC on April 15. The second training will focus on more advanced copyright topics. In addition, ATAR began drafting a memorandum elaborating a coordination process for MOIC to establish and formalize cooperation between copyright enforcement bodies, including customs, police, and prosecutors.

In the second half of March, ATAR met with the new Copyright Office staff at MOIC, and ATAR held a presentation for them on copyright awareness. This is a step in the process of training the MOIC Copyright Office staff as well as outlining how the Copyright Office can conduct copyright awareness events. On March 31, ATAR conducted the first part of a round-table with the Copyright Office staff on the copyright registration process outlined in the newly-approved MOIC Copyright Registration Procedure. ATAR also continued to advance the efforts to urge Afghanistan to join the Berne Copyright Convention, including by working with Copyright Office staff and the MOIC legal advisor to establish a formal committee that will pursue this goal.

## Customs law

ATAR nearly completed translation of the training manual to build the technical capacity of potential ACD customs valuation trainers. ATAR continued efforts to coordinate with ACD to select trainees for this 22-session program. Eight people from the ACD Valuation Department and Afghan National Customs Academy (ANCA) were selected by ACD to participate in a five-day training program. Training started to be conducted in the second half of March, but it was suspended after two days had been delivered, due to mobility restrictions of staff. ATAR has agreed with ACD to resume as soon as possible within April.

### 4. Capacity and Sustainability of the Afghan National Standards Authority

During the quarter, ATAR provided guidance and planning assistance to further the development of ANSA. ATAR met with ANSA senior management and discussed further development of ANSA including main goals such as:

- Establishment of the first certification unit in Afghanistan at ANSA.
- Establishment of the ANSA standards training center.
- Establishment of an equivalence mechanism for technical regulations and conformity assessment.
- Development of a coordination mechanism with other relevant ministries/state bodies on technical barriers to trade enquiry and notification points.
- Review and development of a financial sustainability plan for revenue generation for ANSA.

ANSA management recommended the certification system begin in one sector and expand to other sectors, such as carpet, marble, stone, agriculture products, gemstones, and minerals, to help exports and manufacturing of these products in Afghanistan.

ATAR also worked with ANSA on establishing an implementation committee for a conformity assessment department, standards development department, information and training center department, human resources department and planning and policy department. The purpose of the committee is to implement activities for further development of ANSA.

During the quarter, ATAR supported ANSA in acquiring standards of the International Organization for Standardization (ISO) and British Standards Institute (BSI) to adopt as national standards. ATAR received 31 important conformity assessment and management system standards from the ISO and delivered the standards to ANSA for their further processes of adoption as national standards for Afghanistan.

ATAR also completed the first review with ANSA's standards development director of the "Code of Good Practice for the Preparation, Adoption and Application of Technical Standards" to comply with WTO requirements. In March, ANSA submitted the code to the ANSA Management Board for the final review.

ANSA offered an office for the ATAR standards team, and ATAR's security team is evaluating embedding project staff at ANSA to facilitate technical support.

In the second half of March, ATAR assisted ANSA in drafting a roadmap, including an action plan for mid-term and long term development of certification activities in the country. The action plan continues to be updated to meet ANSA's specific needs. In addition, ATAR worked with the ANSA conformity assessment department on developing a draft organization chart as part of the conformity assessment documentation, based on ISO 17065 required to establish a certification unit at ANSA, and held two roundtable discussions with ANSA officials on how the unit should be organized and staffed.

During the reporting period, ATAR worked with the ANSA standards department on adopting conformity assessment standards including ISO 17065 and other standards related to certification of a product and management system. The adoption process is ongoing according to ANSA procedures.

ATAR also worked with ANSA on conducting a training on March 26 for ANSA staff on establishing national mirror committees under International Organization for Standardization (ISO).

ATAR supported ANSA in participating in the South Asian Regional Standards Organization (SARSO) meetings Governing Board (GB) and Technical Management Board (TMB) meetings held in Dhaka, Bangladesh on March 31 – April 3, 2014. In addition, ATAR worked with ANSA officials to analyze the existing MOU between ANSA and the Bureau of Indian Standards (BIS) for terms related to collaboration in certification and training.

## **5. Building Capacity and Sustainability of MOCI's WTO Unit for Post-Accession**

ATAR continued to provide on-the-job training and technical assistance to the WTO unit at MOCI in supporting sustainability and capacity of the unit toward concluding WTO negotiations.

In addition, ATAR launched discussions to build initial capacity in understanding the new WTO Agreement on Trade Facilitation. The agreement, reached at the Bali Ministerial Conference in December 2013, contains provisions for faster, more efficient customs procedures through cooperation between customs and other authorities on trade facilitation and customs compliance issues. In March, ATAR assisted in drafting a compliance assessment of Afghanistan's current trade regime with the new WTO Agreement. In tandem, ATAR assisted MOCI in preparing a technical assistance document to better understand specific aspects of the Agreement. ATAR also assisted in conducting research on trade facilitation (based among others on other WTO Members' practices and experiences) to further enhance Afghanistan's ability to improve its trade facilitation environment. MOCI's WTO unit staff participated in many of the capacity building events at the TPAU. See next section.

## **6. Building Analytical Capacity**

### **Trade Policy Analysis Unit**

Throughout this quarter, ATAR continued training MOCI's Trade Policy Analysis Unit (TPAU) to build their capacity and support sustainability. MOCI's WTO unit staff participated in many of these events. ATAR held four trainings in the first half of January. ATAR provided the first training with TPAU and WTO unit staff on "challenges and opportunities to Afghanistan's integration into the regional and multilateral trading system." ATAR delivered a second training to MOCI's TPAU and WTO unit staff on trade policy instruments, such as tariffs, subsidies, and quotas, and trade research tools and included a discussion on the future establishment of the safeguards unit in MOCI. ATAR conducted a third training

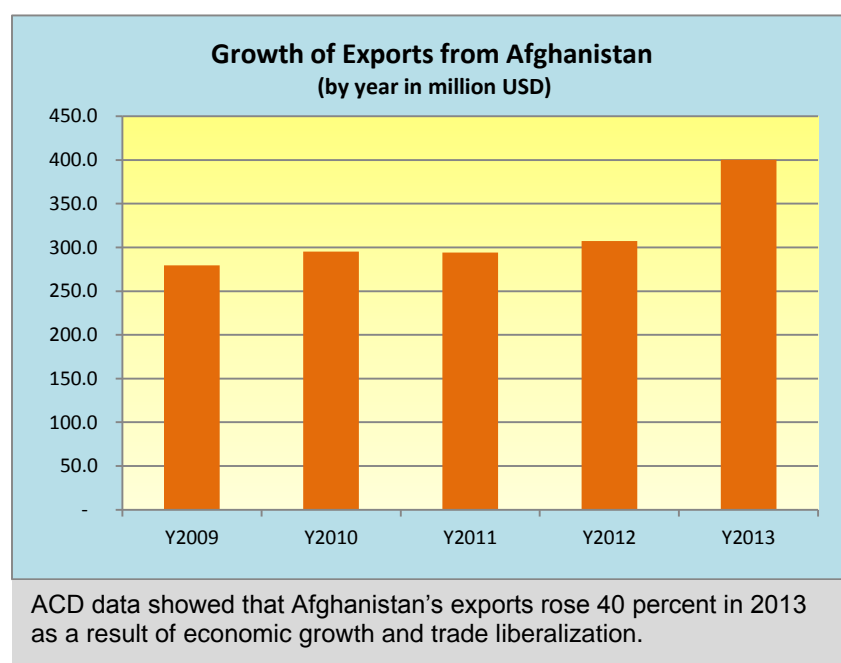
at TPAU, with other senior MOCI participants, on research of domestic prices of vegetables. Finally, ATAR provided a fourth training to the TPAU on the collection of trade data for analysis.

In the second half of January, ATAR conducted a series of trainings benefiting TPAU staff on challenges and opportunities to Afghanistan's integration into the regional and multilateral trading system; trade policy instruments, such as tariffs, subsidies, and quotas; and the application of key economic concepts and methodologies related to trade and statistics.

The training included factors in determining goods that are to be considered "sensitive goods" in terms of tariff policy and regional trade negotiations. Such factors include whether or not there is an existing domestic industry in Afghanistan in need of protection, or the possibility of infant, or nascent, industries developing if some level of tariff protection is provided. The training also included an analysis of regional and global trade statistics to determine in which goods Afghanistan has - or can develop - a competitive advantage. The aim was to equip staff, in particular the TPAU, with appropriate skills to enable government employees to take initiatives on trade and economic analysis and negotiations. In the second half of January, ATAR guided TPAU staff in developing country profiles of Afghanistan's trade partners to determine relative competitiveness.

In the first half of February, ATAR conducted a roundtable regarding the elimination of tariff items from Afghanistan's sensitive list as a step under the South Asia Free Trade Area (SAFTA) agreement. The roundtable covered the proposed reduction of about 70 tariff lines from Afghanistan's sensitive list, and participants discussed the reductions at another next roundtable meeting in March. Participants came from MAIL, ACD, MOM, Da Afghanistan Bank (DAB), EPAA, AISA, and ACCI. In early February, ATAR gave seminars for TPAU staff and Kabul University students on trade policy tools, including case studies to estimate the impact of SAFTA on trade, revenue, balance of payments, and consumer welfare.

ATAR also began trainings for TPAU staff to further develop economic models to analyze the impact of



trade liberalization. Throughout February, ATAR continued to provide training on the collection of economic indicators and import/export data broken down by commodities and by countries for an annual trade policy review to be published by MOCI with ATAR support. Based on ACD data, exports from Afghanistan increased by 40 percent in 2013 over 2012 as a result of economic growth and trade liberalization. The value of Afghanistan's total imports remained essentially unchanged.

In the latter half of February, ATAR supported the TPAU in preparing about 30 tables and charts as a part of the trainings. ATAR assisted MOCI in preparation of the list of export interest items of Afghanistan to Pakistan and Sri Lanka for duty-free access. MOCI will send a total of 12 items for Pakistan and 46 items for Sri Lanka to the SAARC Secretariat.

ATAR also assisted the TPAU in analyzing Pakistan's revised sensitive list and identified 19 tariff items excluded from the list and about 50 items excluded from Sri Lanka's sensitive list. ATAR will inform Afghan traders regarding benefits from zero duties from these countries and opportunities for Afghan traders in the new market of Sri Lanka.

During March, ATAR provided trainings to TPAU on development of analytical skills and on preparation of the annual review on external trade, tariff and trade policy. The first draft of analysis was prepared with the participation of the TPAU as an MOCI internal document (bulletin) to be used as a basis for analysis of trade policy. The draft is combining the analysis of trade for the last five years, identifying the trends in import/export of goods in total and by countries, as well as transit of goods via sea ports and neighboring countries. The draft will be extended with other sections to be used as the tools of TPAU, including tariff summary on agricultural and other goods, impacts of trade agreements, profiles of main trading countries, sectors of the economy to be developed, and production and consumption of sensitive domestic goods. ATAR will continue providing training to introduce and develop skills of the TPAU in application of economic models and regression analysis for prediction of trade, revenue, balance of payment, and consumer and producer welfare. ATAR advised the TPAU on further staffing needs to bring the unit to the appropriate level of capacity toward building technical sustainability.

### **ACD Valuation Department/Customs valuation**

Throughout February and March, ATAR assisted ACD in identifying and addressing improper or incomplete implementation of the Tariff and Valuation Management Tool (TARVAL) database. TARVAL is a customs valuation database established under USAID's Trade Accession and Facilitation for Afghanistan (TAF) projects to generate compatible information for ASYCUDA with more security, transparent and auditable processes, and stored historical data.

ATAR began to make amendments in TARVAL to bring it in line with the Automated System for Customs Data (ASYCUDA) World, the latest ASYCUDA version. TARVAL's data exchange mechanism has been re-engineered and tested successfully, and raw data can be restructured automatically as needed for upload into ASYCUDA World. Other functionalities of TARVAL have been improved and brought in line with ASYCUDA World. Further monitoring and data analysis features have been added. The system is ready for installation and testing at the ACD valuation department as soon as connectivity to ASYCUDA operational server will be provided.

In addition, ATAR assisted ACD in drafting a new standard operating procedure regarding the implementation of the ASYCUDA valuation module and provided ACD with a proposal addressing proper implementation of certain tariff policy measures already in force, related to vehicles of chapter 8703 of HS, and enables ACD valuation department with much more flexibility regarding the management of related valuation data.

In the second half of March, at the request of the ACD Valuation Department, ATAR gave a presentation to DG Customs on the role of TARVAL and the related issues regarding the integration of actual valuation data with ASYCUDA World. DG Customs has shown a great interest on the matter and has asked for another session where further clarifications would be given by ATAR.

ATAR also continued providing guidance and support to the ACD Valuation Department in mapping the valuation database to the new structure for use under ASYCDA World. With ATAR support, about 11,000 records out of 20,000 records in the valuation database have been formatted, mapped, and loaded to ASYCUDA World, testing servers. Due to certain issues that emerged in relation to the accuracy of the content of the data, the ACD Valuation Department has started, under ATAR guidance, revising and cleaning the reformatted data and transferring them to the operational server, where 4,200 records have already been transferred thus far. ATAR will continue to guide and assist ACD Valuation Department until the available data, at the maximum possible extent, will be transfer to the operational ASYCUDA World servers.

### **Reducing discrepancy in trade statistics**

ATAR met with the Central Statistics Office to resume discussions to increase cooperation between ACD and CSO on trade statistics in an effort to further reduce discrepancy in trade statistics.

In March, ATAR communicated with ACD to form a plan to assist ACD with collection of annual (solar calendar) data and organize meeting with CSO to exchange information of trade and revenue to achieve discrepancy between two sources of lower than 20 percent.

## **7. Building Nationwide WTO Awareness**

### **WTO presentation to MOJ**

ATAR assisted in a USAID-led event on Feb. 17 to present an overview of the WTO, its importance for Afghanistan, and the benefits of WTO accession, including access to the WTO Dispute Settlement Body and data comparing economic performance of developing countries pre-and post-accession. Nearly 50 key MOJ legal and Executive Board staff attended the event. The event was well received by MOJ. During the next quarter, ATAR intends to have similar events in other ministries as a refresher to previous awareness events held under TAFA before.



## COMPONENT 2: FACILITATE ENHANCED ACCESS TO REGIONAL MARKETS

### Central Asia communications plan and introduction

#### I. Afghanistan

##### Gulfood

ATAR collaborated with USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project and USAID's Commercial Horticulture and Agriculture Marketing Program (CHAMP) to support Afghan agri-businesses in signing more than \$8 million in deals at Gulfood 2014 in Dubai.

Twenty-one Afghan traders, almost half of whom were businesswomen, participated in the exhibition, which was held from Feb. 23-27. ATAR invited seven of the companies, one of which was women-owned, and supported the businesspeople in negotiating deals with international buyers and leading trips to local markets to help the traders understand international requirements.

By the end of the event, ATAR-supported traders signed more than \$1.9 million in deals for the export of saffron and juice. The ATAR-supported traders also had possible deals worth \$8.2 million that they were pursuing for dried fruit and nuts, saffron, and juice. ATAR will track these possible deals at regular intervals over the next six months and guide these traders to resources to help them export products.

In preparation for the event, the three projects rented a booth at Gulfood, contracted a company to construct the booth, prepared a memorandum of understanding between the projects and traders, and held an orientation session in Kabul to brief the traders prior to the event. ATAR prepared press releases before and after the event, created invitations, printed an Afghanistan trader and produce booklet, and designed the Afghanistan booth on behalf of the three projects.

In total, the traders supported by the three projects signed more than \$8 million worth of contracts to export agricultural items, including figs, pine nuts, dried apricots, walnuts, almonds, juice, and saffron, to buyers from Saudi Arabia, the United Arab Emirates, Spain, Malaysia, China, Turkey, India, Bahrain, and the United States. Traders supported by TAFA, CHAMP, and FAIDA had signed more than \$2.3 million during Gulfood 2013. Gulfood is the world's biggest annual food exhibition and attracted 4,500 exhibitors and tens of thousands of buyers and visitors this year.

TOTAL SIGNED CONTRACTS FOR ATAR-SUPPORTED TRADERS					
Company	Item	liters/kg	Price	Total Price	Buyer's Country
Omaid Bahar Fruits Processing Facility Ltd.	Juice	1,200,000 liters	\$1 (approximate)	\$1,500,000	United Arab Emirates
Afghanistan Saffron Co.	Saffron	50 kg	\$1,800	\$90,000	Spain
Benazir Saffron	Saffron	0.50 kg	\$1,800	\$900	Saudi Arabia
		0.50 kg	\$1,800	\$900	United States
		0.60 kg	\$2,200	\$1,320	United States
		180 kg	\$1,850	\$333,000	India
GRAND TOTAL				\$1,926,120	

## **SAARC and SAFTA meetings**

In January, ATAR held three meetings with MOCI to assist in preparing the ministry for the South Asian Association of Regional Cooperation (SAARC) meeting held on January 16-17 in New Delhi, India.

ATAR assisted in drafting talking points for the Deputy Minister of Commerce and Industries and the Afghan delegation for the SAARC meeting. ATAR also began assisting in the preparation of technical documentation – focused on rules of origin and sensitive lists of goods and services – for the SAARC meeting to be held in Kathmandu, Nepal, in February.

In early March, ATAR also assisted in preparing documents for MOCI's chief of staff office for the eighth meeting of the South Asia Free Trade Area (SAFTA) Ministerial Council in Thimphu, Bhutan, on July 24. The meeting will be preceded by the ninth meeting of the SAFTA Committee of Experts on July 22-23.

## **Draft Azerbaijan-Afghanistan agreement on trade and transit**

At the request of MOCI, ATAR assisted in January in preparing a draft bilateral agreement on trade and transit with Azerbaijan. Azerbaijan is situated on one of the most viable transit routes linking Afghanistan with Europe and the Mediterranean basin.

## **CBTA/Corridor 5**

After ATAR's extensive efforts throughout the quarter, the Ministry of Foreign Affairs (MOFA) submitted the Cross Border Transport of Persons, Vehicles, and Goods Agreement (CBTA)/Corridor 5 agreement and accession protocol to the Council of Ministers on Feb. 24 through an official letter.

The package contained 62 pages, including the agreement and the accession protocol. ATAR will track the status of CBTA 5 at the Council of Ministers to ensure it is approved as soon as possible. The Council of Ministers will have to approve the package and then further submit it to the National Assembly for ratification.

In December 2013, Afghanistan had re-signed the Protocol of Accession of Afghanistan (POAA) to the CBTA. Afghanistan had signed the agreement in late 2011, but there had been discrepancies between the English and Russian versions and minor changes that required all three contracting parties (Afghanistan, the Kyrgyz Republic, and Tajikistan) to sign a new document. Afghanistan, however, returned to the Kyrgyz Republic a copy of the signed protocol instead of the original. The original must be kept with the MOFA of the Kyrgyz Republic, since it is designated as the repository of the agreement. In addition, the original needs to be returned to the Kyrgyz Republic for the ratification process to be launched in all three countries. Afghanistan will send the POAA with original signatures to the Kyrgyz Republic once approved the POAA is approved by the CM.

The CBTA aims to facilitate movement of goods, vehicles, and people along Corridor 5 of Central Asian Regional Economic Cooperation (CAREC) program, which promotes cooperation and development in Central Asia. The agreement will automatically eliminate a number of barriers, including transshipment for movement of trucks across borders.

## EPAA

ATAR worked with the Export Promotion Agency of Afghanistan (EPAA) in January to complete the first draft of its export promotion plan for 2014 and began activities to enable the organization to better support Afghan exporters. Among other items, the Export Promotion Plan included commercial trips to Central Asia, South Asia, and Europe that ATAR will support. It also includes training (for trainers and exporters) in export logistics, export management and market research that ATAR will provide in the coming months. During this reporting period, ATAR prepared the materials for first four weeks of full-day training (some 1000 slides).

ATAR supported an EPAA delegation for a visit to plan for Expo Milano 2015, which is expected to attract 20 million visitors over a six-month period from May 31 through Oct. 31, 2015. With ATAR support, EPAA attended the event's organizational conference to become familiar with the event's organization and features. ATAR's support during this period consisted of:

- Identification, interviewing, and securing budgets from different prospect providers.
- Preparation of a detailed budget for the pavilion of Afghanistan and its running costs (\$2.26M).
- Help to identify and secure aid and support programs from organizer and other sources, covering, so far, \$800k and reducing the initial budget for an additional \$900,000.

With this support, ATAR is helping make Afghanistan's presence possible in the event, which centers around the theme "Feeding the Planet. Energy for Life." ATAR is helping reduce budget needs, secure sources of finance, and establish an appealing pavilion. Out of an estimated budget of \$2.26 million, ATAR has helped EPAA cover \$750,000 by application to the exposition and for assistance for developing countries; encouraged EPAA to eliminate about \$900,000 that would have been spent on a catering firm; and continued assisting EPAA in finding financing for a remaining \$500,000.



Najlla Habibyar, the chief executive officer of the Export Promotion Agency of Afghanistan, examines a model of the Afghanistan pavilion for Export Milano 2015.

Throughout the first half of March, EPAA and ATAR continued supporting EPAA in developing a cost-competitiveness analysis for six Afghan products, including fresh and dried fruit and spices, for selected countries in Central Asia and abroad. ATAR/EPAA completed already the study for Almonds.

### **Afghan, Uzbek and Kazakh business-to-business session**

ATAR participated in the Afghan, Uzbek, and Kazak Business Matchmaking Conference on Feb. 24-25 in Mazar-i Sharif to strengthen relationships between the countries' traders and forge business deals.

More than 20 Uzbek companies and associations, more than 15 Kazakh companies and associations, and more than 100 Afghan businesses participated in business-to-business meetings. The event organizers included USAID's Regional Economic Cooperation (REC) project, the Balkh Chamber of Industry and Commerce, the Embassy of the Republic of Kazakhstan to Afghanistan, the National Chamber of Entrepreneurs of Kazakhstan, and the Agro Information Innovation Center of Uzbekistan.

## Preparation for CABOC meeting

In January, ATAR began coordinating with USAID to develop a strategy to support Afghanistan's participation in the Central Asia Business Opportunity Conference (CABOC) to be held in Islamabad, Pakistan, in mid-April.

ATAR supported the Kabul Chamber of Commerce and Industries (KCCI) in holding a consultative meeting with Afghan representatives of the fruit and vegetable sectors on Feb. 22 at KCCI to inform attendees of the CABOC event, identify possible participants for CABOC, and identify their challenges in exporting and importing. Nine businesses from the fruit and vegetable sector and USAID's CHAMP attended the event.

ATAR compiled a list of around 20 issues raised by businesses, including uncertainty regarding Afghanistan's political situation; municipal taxes and fees on fruits and vegetables; corruption at government agencies; lack of implementation of law; informal fees and taxes on highways; difficulty in obtaining visas to India and Pakistan; and lack of knowledge about markets. ATAR will follow up to validate these issues and prepare appropriate recommendations.



ATAR worked with the Kabul Chamber of Commerce and Industries to discuss challenges faced by Afghan fruit and vegetable traders.

ATAR supported KCCI in holding a consultative meeting with Afghan representatives of the carpet, handicraft, marble, and gemstone sectors on March 3 at KCCI to inform attendees of the CABOC event, identify possible participants for CABOC, and clarify their challenges in exporting and importing. Thirty businesses from the carpet, handicraft, marble, and gemstone sectors attended the event. Almost half of the businesses were female.





ATAR worked with the Kabul Chamber of Commerce and Industries to hold a meeting to identify challenges faced by traders in the handicraft, carpet, marble, and gemstones sectors.

ATAR compiled a list of around 15 major issues raised by businesses, including uncertainty regarding Afghanistan's political situation; high royalty fees on marble and gemstones; corruption at government agencies, specifically customs; lack of implementation of applicable laws; difficulty in obtaining visas to Central Asian countries and India; lack of government support; and lack of access to electricity and industrial parks. ATAR will follow up to validate these issues and prepare appropriate recommendations. ATAR will hold the next consultative meeting with the Afghan Women Business Federation (AWBF) on March 19.

CABOC aims to provide an opportunity for Central Asian and South Asian businesses to exchange information and establish links with each other as well as to have direct interactions and meetings with government officials. The conference is three days, including one day for business-to-business meetings, a second day for business-to-government meetings, and a third day for government-to-government meetings.

### **Conformity with the WTO Agreement on Trade Facilitation**

ATAR launched the process of evaluating conformity with the recently adopted WTO Agreement on Trade facilitation. ATAR worked with MOCI to collect relevant laws and other legal acts and to conduct analysis. ATAR held a meeting with ACD to discuss the provisions of this new agreement and determine the level of conformity.

## 2. The Kyrgyz Republic

### Introduction to Kyrgyz stakeholders and preparation for activities

Early in the quarter, ATAR began introducing the project to the USAID Mission in Kyrgyzstan and various Kyrgyz stakeholders and preparing for the implementation of ATAR activities. Given the tension which resulted from a shooting and border closure between Tajikistan and Kyrgyzstan, activities related to MOU on border cooperation with Tajikistan and designation of Karamyk as an international transit point were not pursued during this quarter. ATAR however launched a number of activities related to Comprehensive Integrated Tariff System (CITS), Electronic Data Interchange (EDI), conformity with the WTO Agreement on Trade Facilitation, and preliminary needs review of risk management, post clearance audit and Authorized Economic Operators implementation.

ATAR coordinated with Asian Development Bank (ADB) in January in Bishkek to discuss ATAR and ADB activities in the region and possible coordination. ADB is launching four new technical assistance projects, each about \$1.5 million with two-year implementation periods, in Central Asia.

In January, ATAR discussed technical assistance needs in quality management infrastructure with the head of the Kyrgyz government's technical regulation and metrology department. This area of assistance was proposed by the USAID Kyrgyz Republic Mission as one of ATAR's potential activities in the country. HACCP appears to be a top priority given the requirements for adherence by end of June 2014 in accordance with the new Law on Technical Regulations.

In January, ATAR met with USAID's REFORMA project in the Kyrgyz Republic to discuss possible areas of coordination. REFORMA, which is scheduled to end in September 2014, focuses on improvement of the business environment, specifically in the mining sector.

In February, ATAR employed two local staff members for the project's office in the Kyrgyz Republic, and the employees began reviewing various initiatives that would help improve trade between the Kyrgyz Republic and Afghanistan.

In March, ATAR conducted an introductory meeting with the Kyrgyz Republic's Deputy Minister of Economy, the Kyrgyz Republic's Deputy Minister of Transport, and the Kyrgyz Republic's First Deputy Chairman of the State Customs Service and provided a brief description of ATAR and its proposed activities in the Kyrgyz Republic.

ATAR also conducted meetings with representatives of the private sector and discussed cooperation issues with the chairman of the Association of Freight Forwarders of the Kyrgyz Republic, the chairman of Road Transport Association, and an official from the Textile Union.

Throughout this quarter, ATAR held many meetings with the State Customs Committee and the Ministry of Economy to discuss cooperation on trade and customs issues.



## **Comprehensive Integrated Tariff System**

During February, the staff examined the status of implementation of CITS. ATAR is assisting the Kyrgyz Republic's customs service in taking initial steps toward developing a CITS, which would ensure greater transparency and access to information regarding import and export trade and transit regulations. Through CITS, an Afghan (or any) trader from any location with web access will have access to information related to tariffs, taxes, fees and non-tariff barriers applicable to products imported into or exported from the Kyrgyz Republic. In February, ATAR conducted a meeting with the Kyrgyz Republic's director of the Single Window State Enterprise to discuss existing resources on non-tariff measures and possible cooperation on CITS. ATAR identified missing data elements to be further collected for the CITS including dual use technology, environmental measures, and technical barriers to trade.

## **Risk Management, AEO, and Post Clearance Audit**

ATAR also examined the status of implementation of the Kyrgyz Republic's authorized economic operators (AEO), which would provide benefits for Afghan traders who qualify under this system. An AEO is a party involved in the international movement of goods that has been approved by or on behalf of a national customs administration as complying with World Customs Organization or other supply chain security standards. ATAR conducted a preliminary quick review of the Kyrgyz Republic's computerized risk management and post-clearance audit system. These systems facilitate trade by decreasing the number of inspections for less risky shipments and traders.

## **WTO Trade Facilitation Agreement**

In February, ATAR started preparations for the review of the Kyrgyz Republic's compliance with the WTO Trade Facilitation Agreement and identifying and collecting relevant legislation for implementation of this new agreement. An expert was fielded late March and started meeting with relevant officials from Customs Services, Ministry of Economy, Customs Broker, and SPS services.

To start the work, the ATAR team together with USAID Kyrgyzstan Mission representative, conducted a meeting with the Deputy Minister of Economy of the Kyrgyz Republic and the Heads of its International Trade and Customs Policy Departments. A workshop on the WTO Trade Facilitation Agreement was held on April 7-8 at the Ministry of Economy. Stakeholders from the private and public sector participated. A roundtable with relevant officials from the Ministry of Economy and Customs Services to present the findings of the compliance assessment will be organized in mid-April.

## **EDI-TAKDEC**

ATAR started working on presenting customs-to-customs EDI system to Kyrgyz customs. An initial Tajikistan-Afghanistan-Kyrgyzstan Data Exchange for Customs (TAKDEC) prototype for Kyrgyzstan has been prepared and is ready for testing with the Kyrgyz United Automated Information System (UAIS) customs systems. ATAR conducted a meeting with the head of the Risk Management Department of the Kyrgyz Customs. Kyrgyz Customs will facilitate a presentation of the system on April 1 for representatives of its relevant departments. Kyrgyz Customs has also expressed interest in automating its customs law enforcement processes.

### 3. Tajikistan

#### Introduction to Tajik stakeholders and preparation for activities

Early in the quarter, ATAR began introducing the project to the Tajik counterparts, namely the deputies of the State Customs Service and the Ministry of Economic Development and Trade, and preparing for the implementation of ATAR activities.

Throughout the quarter, ATAR also met with the various stakeholders and other members of the donor community to discuss collaboration with ATAR, namely the American Chamber of Commerce in Tajikistan, the Tajikistan Chamber of Commerce and Industry, the Association of International Road Carriers of the Republic of Tajikistan (ABBAT), the Customs Brokers Association in Tajikistan, the Association of Automobile Transport (AIATT), the Free Economic Zone (FEZ) Panj, the International Office for Migration (IOM), GIZ, the European Union, OSCE and BOMNAF, the Asian Development Bank (ADB), and Tajik Single Window Centre.

Given the tension which resulted from the shooting and border closure between Tajikistan and Kyrgyzstan, activities related to border cooperation with Kyrgyzstan and designation of Karamyk as an international transit point were not pursued during this quarter. ATAR however launched a number of activities related to the promotion of the Mutual Assistance Agreement (MAA) on cooperation in Customs Matters with Afghanistan, namely, Electronic Data Interchange (EDI), Single Window, and harmonization of trade documents.

In March, ATAR confirmed the State Customs Service's requirements to build capacity in respect of Custom risk management, Post Clearance Audit, a Comprehensive Integrated Tariff System, the ICT database administrators, and for the translation of legal documents to be published on their website.

ATAR met with the Ministry of Agriculture – Veterinary Service -- to confirm their request for assistance with a proposal for an Agreement on Cooperation and Mutual Assistance in Veterinary Affairs, between the governments of Tajikistan and Afghanistan and Pakistan, and for the introduction of a national risk management strategy within the Tajik Veterinary Service.

#### Joint Business Council

In January, the Tajikistan Chamber of Commerce and Industry (TCCI) gave ATAR its informal support to establish a Joint Business Council (JBC) between Tajikistan, Afghanistan, and Kyrgyzstan after ATAR held discussions with TCCI to update a memorandum of understanding regarding the council. During the second half of January, TCCI appointed a point of contact for the JBC, and both the Afghanistan Chamber of Commerce and Industries and the Kyrgyz Chamber of Commerce and Industry (KCCI) reciprocated. ATAR is endeavoring to identify an event at which the three nominated parties can attend and sign the memorandum of understanding.

#### Mutual Assistance Agreement (MAA) and MOU with Afghanistan

ATAR met the International Cooperation Unit for the State Customs Service in January to discuss progress of the Agreement on Cooperation and Mutual Assistance in Customs Affairs, known as the

MAA, between the governments of Tajikistan and Afghanistan. This MAA was signed on March 2 in Kabul. ATAR also discussed the memorandum of understanding regarding information sharing and joint border controls between the two customs administrations, which shall be further discussed after ratification of the protocol for the MAA.

### **Afghanistan Pakistan Tajikistan Transit Trade Agreement**

In February, ATAR conducted two roundtables and held discussions to build capacity and deeper understanding of the Afghanistan Pakistan Transit Trade Agreement (APTTA) for Tajik government officials and for representatives of the Tajik private sector. Tajikistan's Deputy Minister of Economic Development and Trade Umed Davladzod said the Tajik government is interested in negotiating the Pakistan Afghanistan Tajikistan Transit and Trade Agreement (PATTTA), which would be an expansion of the APTTA. ATAR provided a Russian translation of the PATTTA draft agreement highlighting the Afghanistan amendments. In the last week of March, the Tajik and Afghan governments assigned a protocol to present a unified version of the PATTTA to the Pakistan government, with the intention to sign by the end of 2014.

ATAR provided significant guidance and clarifications to Tajik officials in understanding APTTA and the proposal for extension made respectively Afghanistan and Pakistan. ATAR provided a Russian translation of the PATTTA draft agreement highlighting the Afghanistan amendments.

In the last week of March, Tajikistan formally agreed to the proposals made by Afghanistan to extend APTTA to PATTTA, and both governments signed a protocol to present a unified version of the PATTTA to the Pakistan government, with the intention to achieve a signing by the end of 2014. ATAR will continue to provide follow-up assistance for the Tajik government to facilitate PATTTA negotiations.



In partnership with the Tajikistan Chamber of Commerce and Industry, ATAR held a presentation on the Afghanistan Pakistan Transit Trade Agreement for Tajikistan's private sector.

### **Single Window**

During the quarter, ATAR participated in reviewing a test application of Tajikistan's Single Window with the European Union country representative, the GIZ trade facilitation team, and the software development team. ATAR also participated in discussions on legal and procedural issues regarding the Single Window.

Such a system enables cross-border traders to submit regulatory documents at a single location and/or single entity.

### **TAKDEC**

During the quarter, ATAR began activities with State Customs Service to introduce a customs-to-customs electronic data interchange node between Tajikistan and Afghanistan, and between Tajikistan and Kyrgyzstan to increase cross-border cooperation, reduce corruption, and enable pre-arrival declarations and sharing of trade and transit information.

ATAR installed the Tajikistan-Afghanistan-Kyrgyzstan Data Exchange for Customs (TAKDEC) application in a test environment and made adjustments to fulfill the requirements and the needs of the strategic, tactical, and operational layers of the Tajik State Customs Service. ATAR also developed an

administrator's manual and a user's manual for generic application within Afghanistan, Tajikistan and Kyrgyzstan, and the latter document was translated in the Russian language. ATAR received the memorandum of understanding between the customs administrations of Tajikistan and Kyrgyz Republic for exchange of information from Tajik customs and evaluated annexes specifying the technical data structures.

## **Harmonization of trade documents**

ATAR collated official trade documents enacted by the Tajik government agencies to control the flow of international goods for evaluation of conformity with the United Nations Layout Key for Trade Documents.

This exercise is one of several that ATAR is undertaking with the objective of simplification of border crossing formalities and to enable harmonization of documents used at the proposed joint border posts with neighboring customs administrations.

### **4. Turkmenistan**

#### **Preparation for ATAR's Turkmen activities**

In February, ATAR met with USAID and the U.S. Embassy in Turkmenistan to plan activities and explore options for presenting ATAR to Turkmen authorities. Meeting participants agreed to focus ATAR's first year's activities on the following:

- Capacity to prepare an effective export development strategy for increasing competitiveness of Turkmen goods and exports to regional and global markets.
- Capacity to develop an export promotion strategy, export promotional tools, and materials.
- Assistance to increase competitiveness by improving trade regulations to lower costs and conform to international quality standards and product safety requirements.
- Assistance in identifying export opportunities and facilitating business linkages.
- Capacity building on techniques to effectively trade with other countries.
- Capacity building for in-depth understanding of WTO customs-related agreements.
- Strengthening the capacity of the Turkmen customs training center.
- Streamlining costly and unnecessary trade/customs related procedures and requirements.

USAID/Ashgabad and ATAR believe a long-term expatriate should not be fielded at this stage in Turkmenistan. Initial short-term ATAR missions will build confidence, and ATAR will aim to field a long-term expatriate in about six months. In the meantime, USAID/Ashgabad suggested Mr. Farhat Farhat be the acting expatriate for Turkmenistan and travel to Ashgabad as requested by USAID/Ashgabad office. ATAR will keep long-term local presence in Turkmenistan to coordinate ATAR's activities and support analytical activities.

In February, ATAR also met with a number of donors in Turkmenistan, including ADB, the European Union, and the United Nations. None of the donors appears to be engaged in any of the activities ATAR plans in Turkmenistan. ATAR also met with the head of the union of economists of Turkmenistan and discussed economic situation and government priorities.

During the quarter, ATAR began collecting various Turkmen laws and regulations governing customs operations and non-tariff barriers to trade. ATAR compiled a summary of trade-related developments in Turkmenistan during the last three weeks, highlighting numerous announcements for promoting export development. ATAR translated a new law on commodity and raw materials exchanges. ATAR will conduct a quick review of this law during the second half of March to compare with the previous system.

## **5. Uzbekistan**

### **Introduction to Uzbek stakeholders and preparation for activities**

Early in the quarter, ATAR began introducing the project to various Uzbek stakeholders and preparing for the implementation of ATAR activities. In January, ATAR delivered a presentation to the USAID Uzbekistan country office about ATAR activities, Central Asian activities, and in Uzbekistan in particular. Participants included the Ambassador, USAID, the Drug Enforcement Agency, the Defense Logistics Agency, and the political/economic section of USAID's country office. The Ambassador supported ATAR while noting the political sensitivities and difficulties of operating in Uzbekistan.

Also in January, ATAR gave a project presentation with a focus on proposed activities in Uzbekistan for donors, including representatives of USAID/Uzbekistan, the United Nations, World Bank, GIZ, and International Finance Corp. Participants shared their views and provided suggestions for possible areas for ATAR assistance in Uzbekistan.

ATAR delivered a presentation in January on its planned activities for the AmCham Trade and Investment Committee members in Uzbekistan. The Association of International Business and Technology (AMBIT) hosted the meeting. Most of the participants were international businesses with practical experience in regional trade, including with Afghanistan. They provided useful comments and noted the necessity of activities for expanding trade and economic cooperation with Afghanistan.

During the quarter, ATAR worked on recruiting and hiring local personnel to staff the Uzbekistan office. ATAR and USAID's Regional Economic Cooperation (REC) project also prepared a draft joint plan for cooperation between both projects on 10 specific activities during the period ending June 2014. The Joint Plan was well received by USAID/CAR and the USAID/Office in Tashkent. ATAR and REC also agreed to share office space in Tashkent starting in May, pending ATAR budgetary approval.

## **6. Region-wide**

### **Regional Matrices on Trade Problems and Opportunities and Traders**

In February, ATAR completed the Central Asian Republic illustrative trade issues matrix. The matrix includes Afghanistan, Pakistan, Tajikistan, Uzbekistan, Kyrgyz Republic, India, Turkmenistan, and Kazakhstan and covers topics such as trade policies, cross-border issues, bilateral agreements, and trade disputes among the countries. ATAR provided the matrix to USAID, and the matrix will be used for coordination, planning, and monitoring purposes.

ATAR began collecting laws and regulations in Afghanistan, Tajikistan, and the Kyrgyz Republic to support the study for assessing the level of conformity with the new WTO Agreement on Trade Facilitation.

ATAR launched effort to develop and regional matrix covering the five Central Asian Countries Afghanistan, (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), India, and Pakistan. The Matrix will highlight export opportunities in one country of potential interest to traders in the other countries.



## COMPONENT 3: IMPROVED CUSTOMS ADMINISTRATION

### I. Tax Administration

#### Revised VAT work plan

The USAID trade team consulted with the Department for International Development (DFID) in February to refocus ATAR resources to directly support value added tax (VAT) implementation in ACD. ATAR drafted a briefing paper for USAID with indicative activities. A new draft work plan for VAT was developed, which includes support for the following:

- Development of a change management strategy to encourage ownership of the VAT implementation agenda by ACD staff.
- Basic VAT awareness training for key operational staff in the 17 inland clearance depots (ICD) and the 12 border crossing points (BCP); also for staff in intelligence, valuation and post clearance audit functions.
- Design and delivery of a dedicated program of outreach to inform importers, exporters, and brokers of how VAT operates and what is required of them.
- VAT fraud recognition training for nominated operational personnel.
- Scoping of the export controls function business processes. Develop recommendations for revisions to relevant SOP (in anticipation of VAT).
- Capacity building of ACD PCA function, including real-time mentoring at audit.
- Scoping the feasibility of joint PCA operations, working in liaison with ARD Large Taxpayer (LTO) counterparts.
- Develop a system of real-time information exchange between ARD and ACD (ideally, real-time access to SIGTAS for ACD intel staff and similar access for ARD audit staff to ASYCUDA data).
- Assistance with coding of HS tariff to accommodate the VAT reliefs framed in enabling legislation.
- Work with ARD/ASI to clean up inconsistencies in the existing TIN system.

In February, ACD's director general of customs supported the proposal for VAT-focused technical assistance for his department and said he would nominate a senior staff member as the VAT counterpart for ATAR. The director general also agreed that the ATAR VAT program manager would accompany him to the VAT steering committee meetings.

In the latter half of February, ATAR held a meeting with Adam Smith International Tax Administration Project (TAP) to discuss how ATAR can best complement existing work in the Afghanistan Revenue Department (ARD). It is agreed that, in order for successful implementation, ACD must take ownership of the VAT agenda, that an effective VAT relies just as much on ACD as ARD, and that ACD will need to strengthen its information profiling, information handling, and information exchange before VAT is implemented. Feedback on the VAT work plan from the DG Customs and DM Sabit is pending.

## 2. Customs Reform

### ATAR customs work plan

In January, ATAR worked with ACD directors to develop the customs component of the ATAR work plan and held numerous meetings and discussions to submit the final draft plan to USAID.

During January, ATAR also developed a six-month work plan for local project staff who will be working in the regions and received permission from ACD to deploy the staff in February. Throughout January, ATAR national staff received training in E-Pay, risk management, and training course development to prepare to implement ATAR's work plan. ATAR also met with the United Nations Office for Project Services (UNOPS) and the BMTF to ensure coordination on activities.

### Review of TAFE-supported ACD measures

Early in the quarter, ATAR determined the status of various TAFE-supported initiatives considering the gap of about three months between the end of TAFE and start of ATAR.

The ATAR review demonstrated that ACD sustained some initiatives, did not sustain others, did not proceed on some initiatives, and moved forward on others although not necessarily to international standards.

TAFE-Supported Initiatives at ACD	Sustained	Not sustained	Not fully implemented
Customs Streamlined Procedures			✓
Border Management Model	✓		
Customs and Trade Consultative Council	✓		
E-pay			✓
Risk Management			✓
International Agreements			✓
Female Intern Program	✓		
Biometric Attendance Readers		✓	
Customs Mirror (monthly newsletter)		✓	
ACD website	✓		
National Anti-Smuggling Hotline		✓	
Pocket Notebooks		✓	
National Customs Interception and Seizure (NCIS) database		✓	

ATAR is working to fully institutionalize the initiatives with the cooperation of ACD managers. ATAR's information technology department began working to operationalize the National Anti-Smuggling Hotline again. ACD nominated two staff members to be trained on the hotline and its maintenance once operational. During February, ATAR reviewed the Enforcement Directorate's computers to resolve the technical issues regarding the NCIS database. During the review ATAR found systematic misuse, multi-

infections of the virus and disassembling. ATAR will check the server set-up and establish specific staff responsibilities for NCIS. ATAR did this review in February and it is part of the technical issues of NCIS

ATAR also drafted policies on the use of information technology in ACD's enforcement section for review by ACD's director of enforcement. The policies cover the National Customs Interception System (NCIS), a database that is used to centrally record all customs infractions and includes details of importer, broker, and location; the Afghan Customs Intelligence Database (ACID), a centralized system used to securely record all ACD intelligence information; the National Anti-Smuggling Hotline (NASH), which allows informants to call a hotline with tips on smuggling; and the Operation Security Policy (OPSEC), which explains how to store classified information. Once these policies are in place with management controls, ATAR will submit a training plan and support ACD in bringing the systems back on line.

During January, ATAR obtained access for ACD to the World Customs Organization's Central Enforcement Network (CEN), which offers customs officers representing more than 150 countries access to a database of customs seizures and offences. ATAR also provided ACD with software for the WCO's nCEN system, which mirrors the international CEN and is for national customs intelligence use. ACD will nominate staff to be responsible for this online database.

### Review of streamlined customs procedures

Throughout the quarter, ATAR collected and collated data from the regions on the implementation of streamlined customs import procedures and risk management.

The table below shows both the number of non-compliant steps and percentage of selectivity under risk management at each customs location at which risk management is being implemented. ATAR's review of risk management, for example, showed that declarations going through green lane (no inspection) dropped to 10 percent at KIA while declarations through the red lane (physical inspection) and yellow lane (document inspection) rose in some cases to as high as 50 and 60 percent, respectively. This slows trade, wastes staff resources, and increases opportunities for corruption, but it does not increase effectiveness in managing risk.

During the TAFE projects, KIA had an impressive 26 percent of declarations going to the green lane based on risk profiles developed and implemented with TAFE assistance. This resulted in quicker customs clearance for compliant traders and allowed ACD to allocate staff to other areas in which they were needed.

ACD Location	ATAR Review of Customs Procedures in Early 2014	ATAR Review of Risk Management Clearance Selectivity in Early 2014
Kabul International Airport	Seven non-compliant steps	RED: 60% YELLOW: 30% GREEN: 10%
Jalalabad ICD*	Six non-compliant steps (Three steps removed after discussion with ATAR)	RED: 28% YELLOW: 50% GREEN: 22%
Kabul ICD	Five non-compliant steps	RED: 50 % YELLOW: 20% GREEN: 30%
Herat	Three non-compliant steps	RED: 30 %

		<b>YELLOW:</b> 20%
		<b>GREEN:</b> 50%
Hairatan	Seven non-compliant steps	<b>RED:</b> 40%
		<b>YELLOW:</b> 30%
		<b>GREEN:</b> 30% *
Torkham	Three non-compliant steps	<b>RED:</b> 29%
		<b>YELLOW:</b> 50%
		<b>GREEN:</b> 21%
Kandahar	To be completed	<b>RED:</b> 41%
		<b>YELLOW:</b> 43%
		<b>GREEN:</b> 16%

\* ACD is reporting a figure of 30 percent channeled through the green lane, but all cargo appears to be going through the red or yellow lanes regardless of selectivity.

ATAR began encouraging compliance at the local level to put procedures in line with the approved streamlined customs procedures blueprint in place upon completion of USAID's Trade Accession and Facilitation (TAFA) projects. ATAR's regional staff began working with ACD to try to remove unnecessary steps added after TAFA's completion. ACD has already removed three redundant steps in Jalalabad after discussions with ATAR.

ATAR has received little regional cooperation in this issue with clear objections in some areas due to the persons in place being powerfully connected and the removal of the step affects the receipt of illicit payments. Without clear direction from the DG Customs (with no guarantee of compliance) this will not be achieved.

## Risk Management

During the latter half of February, ATAR delivered training in automated selectivity and risk profiling to 15 ACD staff in the intelligence and risk management unit from Feb. 25-26.

ACD is implementing risk management, an International Monetary Fund benchmark, at Kabul International Airport, Kabul Inland Clearance Depot (ICD), Jalalabad ICD, Mazar-I-Sharif ICD, Herat ICD, and Kandahar ICD, but the system needs improvement. ATAR is working to change the systems in place that are based on tariff code numbers and do not support trade facilitation. The system based on tariff codes is a "catch all" profiling system that targets commodities and does not differentiate between compliant and non-compliant importers.

ATAR is working with ACD's risk management unit to develop profiles that take into account infraction and historical data based on broker, importer, and origin. ATAR has reviewed data recorded on the import declaration Single Administrative Document and has recommended that exporter details, vehicle and container numbers, country of origin, and country where consigned are recorded on the import declaration to assist in intelligence, risk profiling and valuation issues.

ATAR's training built upon existing basic training delivered under the TAFA project. Trainees took a pre-training, written examination on the first day to allow ATAR to gauge knowledge and skill sets. With the exception of one ACD staff member who failed to take the test, all trainees successfully passed with many achieving scores of 80 percent or more.

## E-pay for customs duties

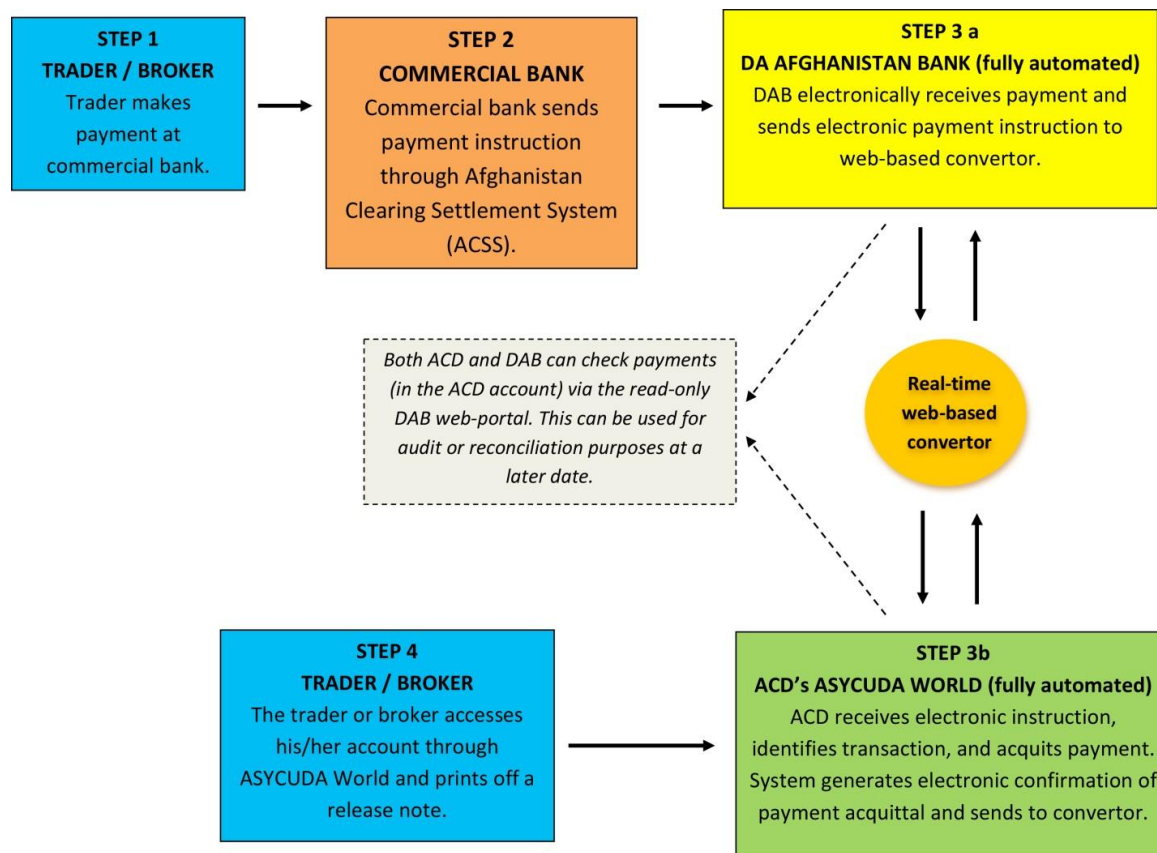
ATAR worked throughout the quarter with ACD and DAB to broker an agreement between the two entities regarding the implementation of E-Pay, or the electronic payment of customs duties.

Early in the quarter, DAB stated it was ready to implement E-Pay and that it was using the system with ARD to collect payments from medium and large taxpayers. However, ACD's Director General requested further discussions take place regarding E-Pay's implementation for customs duties due to ACD's perceived risk of possible revenue loss with the E-Pay process. ATAR had conducted a risk assessment on the E-Pay process and determined that there was minimal risk of revenue loss.

Despite ATAR's risk assessment ACD said it was not prepared to implement E-Pay based on the processes agreed with DAB I 2013; DAB, in turn, would not agree to change the agreement as its long-term strategy is to close all offices at customs stations and remove itself from the commercial banking process.

In February, ATAR held numerous discussions with DAB and ACD regarding the process of electronic acquittal without human intervention. ACD met with ACD's technical director and the Automated System for Customs Data (ASYCUDA) director to discuss the new electronic payment (E-Pay) procedures for paying customs-related duties. ACD accepted the new procedures, and ATAR drafted new standard operating procedures (SOPs) and submitted them to ACD for consideration.

### PROPOSED E-PAY PROCESS



ATAR offered assistance as needed with regard to communications between ASYCUDA World and Da Afghanistan Bank (DAB) web portal, which will be developed by Virmati, an Indian software developer, and funded by ATAR. Based on a request from ACD's technical director, the ASYCUDA technical team met the DAB technical team at the beginning of March to confirm technical viability of automated interaction between the various systems. ATAR began drafting outreach materials and will submit the materials to ACD upon completion. It is now for ACD and DAB to move this forward as ATAR have been instructed to not engage in any activities related to ASYCUDA. Specifically, ASYCUDA must meet with DAB to agree on the communications portal. Once the director general signs the updated standard operating procedures, ATAR will proceed with the Virmati subcontract to establish the portal.

DAB has reported that E-Pay implementation within the Afghanistan Revenue Department for tax payments from medium and large taxpayers continues to be a success – with 2,523 transactions totaling 1.879 billion Afghanis, or \$33.4 million, collected from January 4 to March 12. These funds were collected by all 16 commercial banks within Afghanistan.




## E-Pay is accepted at this location.

1



Oh good!  
I just received  
my M-number.


2



Great Mr. Hamid.  
Can you confirm if this  
is your transaction?

Here is  
my M-number.

3



Yes, it is correct.  
Here is the  
amount I owe.

Mr. Hamid,  
I printed the release  
note, and I am getting  
your goods.

## E-Pay: Easy as 1, 2, 3!



ATAR has drafted outreach materials that will explain E-Pay to traders and brokers.



## Developed and began implementation of training plan for enforcement staff

During February, ATAR developed a number of training courses to deliver to ACD staff in Kabul and in the regions to give ACD staff the skills to sustain the changes to procedures and operations.

ATAR designed a training needs assessment format that has been agreed upon by ACD, was launched in March, and has a target completion date of the end of April, with full support from ACD. The purpose of this assessment is to collect full training requirements for ACD's approximately 2,000 regional and headquarters staff, compiling an all-staff database for ACD of individual training needs, training received, and staff educational qualifications. While this data is important to ATAR, the information will also assist the Afghan National Training Academy (ANCA) in recording data, developing national training requirements, and populating its future training database. Data collection has begun and is at various stages of completion. For example, in Hairatan, data collection is near 80 percent.

The assessment will ultimately inform a strategic training plan for all ACD staff. Until the assessment is complete, the training plan is focused on enforcement staff. To date, the following training materials have been developed and courses planned:

TRAINING PLAN FOR ENFORCEMENT STAFF					
Course	Status of Materials	Target Audience	Duration	Target Date	Number of staff to be trained
Train the trainer	Completed and being translated	Enforcement staff	10 days	April 12 <sup>th</sup>	12 plus ATAR staff
Risk management	Completed	Risk management staff	2 days	Completed February for central staff	10 central staff and a minimum of 50 regional staff
Pocket notebook and cargo examination	Completed and due to be translated	Mobile verification team staff	2 days	March - May	140 mobile verification team staff in Kabul and regions
National Targeting Exploitation Center	Awaiting approval from the director general	Intelligence staff	To be determined	To be determined	12 central staff
Intelligence	Under development	Intelligence staff	5 days	To be determined	12 central staff, regional staff as identified
Investigation	Under development	Investigation staff	5 days	To be determined	12 central staff and regional staff as required

ATAR advisors visited ANCA and discussed training issues with both ANCA management and the Border Management Task Force (BMTF) and agreed to work closely with both on all training issues. All training materials developed by ATAR will be placed on CD and submitted to ANCA for future use. Security allowing, it has been agreed ATAR can utilize ANCA for future training events.



During the latter half of February, ATAR delivered training in automated selectivity and risk profiling to 15 ACD staff in the intelligence and risk management unit from Feb. 25-26. ACD is implementing risk management, an International Monetary Fund benchmark, at Kabul International Airport (KIA), Kabul Inland Clearance Depot (ICD), Jalalabad ICD, Mazar-I-Sharif ICD, Herat ICD, and Kandahar ICD, but the system needs improvement. ATAR is working to change the systems in place that are based on tariff code numbers and do not support trade facilitation. The system based on tariff codes is a “catch all” profiling system that targets commodities and does not differentiate between compliant and non-compliant importers.

## Single Administrative Document

ATAR has made a written recommendation to the DG for correctly utilizing certain data fields contained within the Single Administrative Document (SAD). Currently, a number of key indicator fields are not being utilized on this document, such as the Exporter Details (Box 2), Identify of Vehicle (Box 18), Delivery Terms (Box 20) and Means of Transportation (Box 21).

The collection of this data electronically within ASYCUDA (when the declaration is made) is vital to the success of both risk management and the ACDs compliance with valuation requirements under the World Trade Organization (WTO). If the data is not collected electronically, it cannot be targeted for risk management or utilized for valuation purposes.

Further details relating to the use of these data fields is available below:

SAD Number	Description and Reasons for Non-Compliance
Box 2 Exporter Details	<p>The exporter details are a key risk indicator to identify suspect companies and serial offenders, not only in customs fraud issues, but other criminal activities. By identifying non-compliant exporters, intelligence officers can track exports to other companies to detect further offences and target them via the use of risk profiles.</p> <p>It is a requirement from the World Trade Organisation (WTO) for the ACD to utilize Article VII of the General Agreement on Tariff and Trade (GATT) for the purposes of valuing goods. In the absence, or suspected fabrication, of the transaction value (obtained from the invoice), the ACD must utilize the other valuation 'methods' in sequence. For example, it is only after attempting to value goods utilizing Method 2, that the ACD then utilize Method 3 etc.</p> <p>The different methods are listed below:</p> <ul style="list-style-type: none"> <li>Method 1 — Transaction value</li> <li>Method 2 — Transaction value of identical goods</li> <li>Method 3 — Transaction value of similar goods</li> <li>Method 4 — Deductive method</li> <li>Method 5 — Computed method</li> <li>Method 6 — Fall-back method</li> </ul>

	<p>The use of false invoices is currently a major issue in Afghanistan. As such, it is vital that the following information is electronically captured so that "Method 2" can be properly applied:</p> <ol style="list-style-type: none"> <li>1. Produced in the same country;</li> <li>2. By the same person;</li> <li>3. With same physical characteristics;</li> <li>4. With same quality; and</li> <li>5. With same commercial reputation.</li> </ol> <p>As this box is not being populated (which would capture much of this information), the ACD cannot apply Method 2 for the purposes of the GATT, and are therefore non-compliant with the WTO.</p>
Box 18 Identity of vehicle	<p>Comparing box 18 with box 21 gives provides important information concerning the Customs clearance process at ICDs. Whilst in box 21 declarants must declare the identity of the means of transport that has crossed the border (which is still important but might have been changed prior to arrival at ICD), in box 18 declarant's must declare the identity of the means of transport where the goods are loaded when presented at ICD upon arrival. The check at arrival should be made against the information provided in box 18 and not 21, even those could be the same.</p>
Box 20 Delivery terms (Incoterms)	<p>Incoterms are a key factor in the valuation process, as they identify what the status of the goods were at the point of shipment, and the terms contracted for the goods.</p> <p>For example, two commonly used incoterms are:</p> <p>CIF = Carriage insurance and freight included;</p> <p>Ex-Factory = Cost of goods delivered from the factory (no freight or insurance included)</p> <p>These terms give a clear indicator to the valuation officer of any potential additional costs that need to be added to the invoice value. By not recording these details, the ACD are potentially losing additional revenue that should be collected.</p>
Box 21 Means of transportation	<p>A key risk indicator is the means of transportation. Serial offenders will often utilize the same vehicle, and or container, which may have been adapted to further the process of smuggling goods. For example, concealments via false bulkheads in containers, false floors in vehicles etc. are commonly used for smuggling activities. As this information is not currently captured (i.e. the registration of the vehicle and container number is not recorded), it is not possible to target vehicles or containers through the use of risk profiles.</p>

## Post Clearance Audit (PCA)

Despite regular written and verbal recommendations under both TAFA and ATAR, the ACD continues to insist that Post-Clearance Audit review all import documents as part of the clearance procedure. There appears to be a fundamental misunderstanding within the ACD as to the role of PCA teams. Their inclusion within the process means that the ACD is not compliant with the Revised Kyoto Convention for the purposes of risk management. Furthermore, PCA's misdirected efforts mean the ACD has no facility to undertake proper post clearance checks or assessments of importers. As a result, the ACD cannot currently utilize the blue lane as part of its overall risk management strategy.

The reform of PCA does not form part of ATAR's work plan, as efforts are currently being led by a different implementer. ATAR will continue to work with the ACD and this implementer to try and ensure PCA is reformed without further delay and in line with international requirements.

## Embedded regional staff

During the quarter, ATAR embedded local project staff located in Mazar-i-Sharif, Herat, and Jalalabad, working closely with ACD regional staff on risk management, streamlined customs procedures, time release studies, training needs analyses, and monthly management reports.

Customs Progress in Regions as of end of March 2014					
Site	Risk Management	Streamlined Customs Procedures	Time release study (TRS)	Training needs analysis (TNA)	Monthly Management Report (MMR)
Mazar-i-Sharif	ATAR started a risk awareness program to prepare for risk management training.	ATAR determined proper streamlined procedures will only be implemented with DG intervention. ATAR will raise the issue with him.	Hairatan brokers are supporting the TRS conducted by ATAR in partnership with ACD. Forty-five forms have been completed.	ATAR implemented the TNA with ACD support and is awaiting results. Some ACD officers are not complying, and ATAR is trying to resolve this issue.	The DG stressed this report is a priority, and ATAR will discuss this with him upon his return from a trip abroad.
Herat	ATAR will raise the issue of proper risk management in Herat with the DG.	ATAR continued to review streamlined procedures. ATAR will raise opposition to proper implementation with the DG. Risk management is ineffective due to poor implementation and little training. The TNA will highlight training issues, and ATAR will discuss at headquarters.	The Herat ACD director is opposed to TRS implementation and is suggesting only monitoring 10 declarations a week; this would not give an accurate or representative sample. ATAR will address the matter with the DG.	ACD Herat fully endorsed the TNA, and the forms are being distributed for completion.	The DG stressed this report is a priority, and ATAR will discuss this with him upon his return from a trip abroad.
Jalalabad	ATAR reviewed physical examination and concluded goods are not examined properly. Procedures	ATAR discussed extra steps in the clearance process with the customs director and a number of these are set	Customs brokers are not willing to complete the TRS, but the ICD import manager is working	ACD disseminated the TNA among Inland Clearance Deport (ICD) staff. Final results are	ACD initially refused to cooperate in the MMR. The DG said he wanted the form to be reintroduced.

	are not compliant with WTO or World Customs Organization (WCO); ASYCUDA randomly selects examination officers as an anti- corruption measure, but this is ignored.	by the DG's directive. ATAR will raise this issue with the DG upon his Kabul return. <sup>5</sup>	with ATAR to reach a solution.	awaited. To date, 25 forms have been received.	ATAR persuaded the customs director of the importance of this form, and he has nominated an officer who is being mentored in its completion.
Kand-ahar	ATAR continued to try to recruit for a local customs expert in Kandahar.				

ATAR's regional staff conducted various meetings in Mazar-i Sharif and Jalalabad with the Border Management Task Force (BMTF) to coordinate customs activities.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
<b>Project Purpose: Business climate strengthened to enable private investment, enhanced trade, job creation, and fiscal sustainability through the critical transition period and continuing into the Transformational Decade</b>										
1	Growth in trade volume (import, exports, transit) overall/per border crossing	Outcome/Impact  Required by Prime Contract	Country, per border crossing; commodity group; month, quarter; percent; and actual amount	GIROA	Annual	\$9.3 billion in 1391 excluding transit (Central Statistics Organization (CSO) report)	US\$ 5.17 billion in the first nine months of 1392 (ACD report)	Tracking only	Tracking only	Trade volume is defined as the licit trade value of goods and services brought into Afghanistan (import), the value of Afghanistan goods and services sold in the foreign country or countries (export) and value of goods imported to Afghanistan from a country and exported to another country (transit) <b>Note:</b> Total volume of trade in the first nine months of 1392 was US\$ 5.17 billion which included import (US\$ 4.85 billion) and export (US\$ 318 million)
2	Value of gross domestic product (GDP)	Outcome/Impact  USAID requested indicator	By sector	CSO, World Bank Report	Annual	\$ 21 billion in 1391 (CSO report)	Will be reported by end of 1392	Tracking only	Tracking only	Value of GDP represents the total value of all goods and services produced in Afghanistan in a year. <b>Note:</b> Based on Central Statistics Office report, the total value of Afghanistan GDP in 1391 was Afs 1,085,766 million = USD 21 billion.
3	Ratio of foreign trade in GDP	Outcome/Impact  USAID requested indicator	By sector, import and export	CSO, World Bank Report	Annual	Import 39%, Export 6% in 2012 (World Bank report)	Will be reported next quarter	Tracking only	Tracking only	This indicator captures the percentage of foreign trade (import and export) in the GDP of Afghanistan. <b>Note:</b> This indicator will be reported once the Afghanistan GDP for 1392 is reported by the GiROA.
4	Value of goods imported to the United States taking advantage of Generalized System of Preferences (GSP)	Outcome/Impact  Required by Prime Contract	Commodity group; month, quarter	ACD and CSO	Annual	\$123,500 (1391)	Will be reported next quarter	Tracking only	Tracking only	The U.S. GSP is a program designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 5,000 products when imported from one of 126 designated beneficiary countries including Afghanistan.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
5	Value of exports	Outcome/Impact USAID requested indicator	Product, countries	GIROA	Annual	ACD = \$307 million in 1391 CSO = \$414.5 million in 1391	US\$ 318 million in first nine months of 1392 (ACD report)	Tracking only	Tracking only	<p>Value of export here refers to the total value of Afghan licit goods and services sold in the foreign country or countries. <b>Note:</b> based on ACD, the total value of export in the first nine months of 1392 is US\$ 318 million.</p> <p><b>Disaggregation by Country:</b>            Pakistan = US\$ 102 million            India – US\$ 58 million            UAE = US\$ 46 million            Iran = US\$ 23 million            Turkey = US\$ 20 million            USA = US\$ 13 million            China = US\$ 11 million            Iraq = US\$ 10 million            Turkmenistan = US\$ 9 million            Tajikistan – US\$ 6 million            Others = US\$ 19 million</p> <p><b>Disaggregation by Province :</b>            Kandahar = US\$ 82 million            Herat = US\$ 69 million            Jalalabad = US\$ 63 million            Kabul = US\$ 40 million            And Khoi = US\$ 28 million            Kabul Airport = US\$ 22 million            Mazar = US\$ 9 million            Others = US\$ 6.6 million</p>

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
6	Value of imports	Outcome/Impact USAID requested indicator	Product, countries	GIROA	Annual	ACD = \$7.464 billion in 1391  CSO = \$8.9 billion in 1391	US\$ 4.85 billion in first nine months of 1392 (ACD report)	Tracking only	Tracking only	Value of import refers to the total value goods or services brought into Afghanistan from another country. Data covers dutiable import only. <b>Note:</b> Based on ACD, total value of Afghanistan import in the first nine months of 1392 was US\$ 4.85 billion. <b>Disaggregation by Country:</b> Pakistan = US\$ 1,036 million Iran = US\$ 741 million China = US\$ 659 million Turkmenistan = US\$ 501 million Uzbekistan = US\$ 255 million Japan = US\$ 226 million Kazakhstan = US\$ 198 million Malaysia = US\$ 183 million Russia = US\$ 181 million UAE = US\$ 121 million India = US\$ 107 million Others = US\$ 645 million <b>Disaggregation by Province:</b> Jalalabad = US\$ 1,285 million Herat = US\$ 1,273 million Mazar = US\$ 661 million Nimruz = US\$ 614 million And Koi = US\$ 434 million Kandahar = US\$ 299 million Kabul = US\$ 132 million Others = US\$ 153 million



#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
7	Percent reduction in discrepancy between CSO and ACD on trade statistics	Outcome/Impact USAID requested indicator	None	GIROA	Annual	27%	Will be report next quarter	20%	10%	It is crucial to have reliable trade related data for policy and planning. ATAR will support ACD and CSO (Central Statistics Office) to harmonize trade related data between the two organizations. <b>Note:</b> based on trade statistics data from ACD and CSO for the year 1391, the overall discrepancy was 27% (import 19% and export 35%). The project will report the discrepancy of 1392 once data received from CSO for this year.
8	Change in World Bank's Doing Business ranking, trading across borders indicator	Outcome/Impact Required by Prime Contract	None	World Bank Doing Business Annual Report	Annual	184 (Doing Business Annual Report 2014)	184	Tracking only	Tracking only	The World Bank Doing Business report presents quantitative indicators on business regulations and the protection of property rights compared across 189 economies over time. Afghanistan was ranked 179 out 183 in 2012 and 178 out of 185 countries in 2013. According to the 2014 report, Afghanistan is ranked 184 out of 189 countries
9	Ease of doing business in Afghanistan (World Bank Doing Business report)	Outcome/Impact USAID requested indicator	By sector	World Bank Doing Business Annual Report	Annual	164 (Doing Business Annual Report 2014)	164	Tracking only	Tracking only	The World Bank Doing Business report sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. Based on the 2014 report, Afghanistan is ranked 164 out of 189 countries.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
<b>PIR 1: Capacity of Afghan government and private sector to formulate and implement liberal policy framework for trade and investment strengthened</b>										
<b>PIR 1.1: WTO accession process finalized</b>										
10	Number of WTO-related legal acts advanced through the legislative process with ATAR support	Output USAID requested indicator	Ministry partner	Project records and MOCI	Quarterly	0	7	12	30	Bringing the legal framework in line with the WTO agreements is a pre-condition for becoming a WTO member. This indicator will capture progress made in the legislative process when draft laws (including amendments) and sublegal acts (regulations, orders) move from one stage to another. These stages are: 1) Sponsoring ministry; 2) MOJ; 3) Council of Ministers; and 4) Parliament
11	Number of WTO-related institutional reforms supported by ATAR	Outcome/Impact USAID requested indicator	Ministry partner	Project records	Quarterly	0	1	4	10	Acceding to the WTO requires the establishment of new institutions or restructuring of existing institutions as well as development of new institutional processes related to customs, trade, and other areas. This indicator captures these types of institutional reforms supported by ATAR in Afghanistan.
12	Number of draft legislative items (including regulations, procedures, and amendments) prepared by the Working Group at Ministerial level with ATAR support	Output USAID requested indicator	Ministry partner	Project records and MOCI	Quarterly	0	1	4	12	This indicator captures the number of new draft laws and sublegal acts prepared at the Ministerial level (including by working group) with ATAR support. This mainly refers to the first draft finalized at the Ministerial level.
<b>PIR 1.2: WTO implementation process developed and executed</b>										
13	Number of public events held to discuss trade and business policy matters with stakeholders, the public, and the private sector	Output Required by Prime Contract	Province, gender of participants	Project records	Monthly	0	3	12	60	A public event is defined as an ATAR-led and/or supported trade-related activity such as conference, seminar, trade forum, presentations to university students, trade campaign, presentation to Parliament or Ministries, and other trade gathering.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
14	Number of consultative processes with private sector as a result of U.S. government assistance	Operational Indicator Output  Required by Prime Contract	Province, gender of participants	Project records	Quarterly	0	3	6	24	Negotiating and implementing agreements requires intense coordination and cooperation among ministries and state bodies as well as with the private sector and civil society. Working groups for consultations on developing trade policies, negotiation strategies, trade procedures, and draft legislation will be captured under this indicator.
<b>PIR 1.3: Private sector awareness of new opportunities for trade-related business development increased</b>										
15	Number of awareness events held targeting the private sector	Operational Indicator Output	Gender of participants	Project records	Monthly	0	3	8	50	The private sector is the main beneficiary of WTO accession. It is critical to educate the private sector about opportunities resulting from WTO accession in order to enable necessary adjustments. ATAR will assist MOCI in undertaking a nationwide awareness campaign, including delivery of WTO seminars in key regions targeting the private sector, particularly small to medium enterprises and women-owned businesses
16	Number of awareness documents prepared to educate about WTO and regional integration	Operational Indicator / Output  USAID requested indicator	Province	Project records	Quarterly	0	2	4	10	This indicator will capture any type of awareness material developed with ATAR support in educating the private sector on WTO and other trade opportunities.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
17	Number of firms that have obtained quality certification in meeting minimum standards as a result of ATAR assistance	Outcome/Impact  USAID requested indicator	Type of firm	ANSA	Annual	0	0	0	40 (to be achieved in final year)	Certification is when a third party gives written assurance that a product, service, process, personnel, organization, or system conforms to specific standards requirements. During the first three years, ATAR will assist ANSA to establish a certification unit for the first time in Afghanistan and build the capacity of this unit. This unit will be accredited by an external accreditation body and qualified to issue internationally accepted certification.
<b>PIR 1.4: Understanding and support for benefits of WTO and regional and bilateral trade agreements increased</b>										
18	Change in public perception toward trade	Outcome/Impact  Required by Prime Contract	Province, gender, age	Perception survey	Annual	To be determined (TBD) from perception survey	To be determined (TBD) from perception survey	10% increase	40% increase	Increased understanding and support of the benefits of regional and bilateral trade agreements and WTO accession are vital. ATAR will conduct a survey to determine knowledge and perceptions among the general population and stakeholders. The survey will be conducted in Year 1 of the project to collect baseline information and annually thereafter targeting the same group
<b>PIR 2: Regional and global integration enhanced</b>										
19	Number of launched or signed initiatives on regional integration	Output  USAID requested indicator	Type of initiative	Project records and MOCI	Quarterly	0	2	3	8	Afghanistan is interested in deepening and expanding regional integration through new and existing agreements on trade, investment, economic cooperation, transport, and transit. This indicator will capture initiatives such as agreements, memorandums of understanding, and protocols launched or signed with ATAR support.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
20	Number of firms receiving USG capacity building assistance to export	Output USAID requested indicator	Type of firm/participants/gender	Project Record and Export Promotion Agency of Afghanistan (EPPA)	Monthly	0	20	80	400	Capacity building assistance refers to market research, short-term technical assistance to government and/or private-sector beneficiaries, study tours and international trade fairs/exhibitions, exporter training sessions, networking and training supported by ATAR.
21	Number of laden vehicles crossing Torqundi, Hairatan, Sher Kan Bandar, Torkham, and Weish in each direction	Outcome/Impact Required by Prime Contract	Per direction	ACD	Annual	(As of 2012) Hairatan: 66,851 Imports 2,734 Exports  Torqundi: Imports: 43,209 Exports 542  Sher Khan Bandar: Imports 4,050 Exports 16,199  Torkham: Imports 175,770 Exports: 32,451  Weish: Imports 35,166 Exports 2,167	Will be reported next quarter	Tracking only	Tracking only	This indicator refers to the number of declarations and number of vehicles paying custom duties.
22	Number of interactions between businesses (and other relevant groups) with government entities in the region involving policy reform dialogues	Output USAID requested indicator	N/A	ATAR project records	Annual	0	1	6	24	This indicator will capture the number of interactions and dialogues between the businesses and government organizations in the region on policy reform issues.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
23	Number of customs procedures on transit corridors are harmonized	Output USAID requested indicator	BCP	ATAR project records	Annual	0	0	5	20	This indicator will capture the modernization and harmonization of customs rules and procedures with international standards on transit corridors to reduce border crossing costs and delays
24	Cost to travel 500 KM per 20 ton (\$)	Outcome/Impact USAID requested indicator	Corridor 5 Corridor 6	CARE Corridor Performance Management and Monitoring (CPMM)	Annual	US\$ 1,580 Corridor 5, US\$ 719 Corridor 6 (2012)	Will be reported next quarter	Tracking only	Tracking only	The total cost to travel here refers to a cargo truck traveling 500 km per 20 ton of goods. Both official and unofficial payments are included. <b>Note:</b> Based on CAREC Program Development Effectiveness Review Report 2012, the cost to travel 500 km per 20 ton is: Corridor 5 = US\$ 1,580 Corridor 6 = US\$ 719
25	Percentage share of trade with regional partners	Outcome/Impact USAID requested indicator	Country	National statistics of respective countries	Annual	Will be collected during next quarter	Will be reported next quarter	Tracking only	Tracking only	This indicator will capture the share Afghanistan trade with the regional partners. The regional partners are Pakistan, Tajikistan, Kyrgyzstan, India, Uzbekistan, Turkmenistan and Kazakhstan
26	Average cost of crossing borders (\$)	Outcome/Impact USAID requested indicator	Corridor 5 Corridor 6	CPMM	Annual	US\$ 157 (2012)	Will be reported next quarter	Tracking only	Tracking only	The average of total expenses (\$) to move cargo from an exit point of a country to the entry point of another country. The entry and exit points are typically a primary control center where customs, immigration, and quarantine are done. Both official and unofficial payments are included. This indicator is normalized at 500 km as a basis of unit, so that average cost between long and short corridors is comparable. <b>Note:</b> Based on CAREC Program Development Effectiveness Review Report 2012, the average cost of crossing border is US\$ 157.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
<b>PIR 3: Revenue generation for fiscal sustainability strengthened through reforms and anti-corruption measures in customs and taxation</b>										
27	Growth in customs revenue (overall and per border crossing)	Outcome/Impact Required by Prime Contract	Per border crossing	ACD	Annual	\$894 million in 1391	US\$ 640 million in the first nine months of 1392	Tracking only	Tracking only	A customs duty and tax refers to tax on the importation and exportation of goods collected by custom houses. <b>Note:</b> based on MoF Performance Report, the customs revenue for the first nine months of 1392 is Afs 36.1 billion = US\$ 640.5 million
28	Percent increase in tax collection	Outcome/Impact USAID requested indicator	Revenue source	ACD	Annual	US\$ 747 million in 1391	US\$ 650.5 million in first nine months of 1392.	Tracking only	Tracking only	This indicator captures the percentage increase in volume of tax collection in Afghanistan. Tax revenue consists of fixed taxes, income taxes and sales taxes. <b>Note:</b> based on MoF 1392 third quarter fiscal report, tax revenue collection in the first nine months of 1392 shows a decrease of 5% comparing to the same period in 1391. The total tax revenue in the first nine months of 1392 was US\$ 650.5 million while this amount in the first nine months of 1391 was US\$ 682.4 million. <b>Disaggregation by quarter 1392:</b> 1. Quarter 1 = US\$ 200 million 2. Quarter 2 = US\$ 211 million 3. Quarter 3 = US\$ 239 million



#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
29	Percentage of government revenue collection in GDP (excluding foreign grants)	Outcome/Impact Required by Prime Contract	Revenue source	ACD and project records	Annual	8% in 1391	Will be reported by end of 1392	Tracking only	Tracking only	Revenue is cash receipts from taxes, social contributions, and other revenue such as fines, fees, rent, and income from property or sales. <b>Note:</b> based on MoF 1391 annual fiscal report, The total government revenue in 1391 was Afs 81.7 billion equivalents to US\$ 1.58 billion and the total GDP of Afghanistan was US\$ 21 billion which shows that the percentage of government revenue collection in GDP was 8% in 1391. The total of government revenue in the first nine months of 1392 was US\$ 1.35 billion (Afs 75.9 billion). This indicator will be reported next quarter once the total GDP of 1392 is reported by GiROA.
30	Non-tax revenue increase	Outcome/Impact Required by Prime Contract	Revenue source	ACD	Annual	US\$ 351 million in 1391	US\$ 253.5 million in the first nine months of 1392	Tracking only	Tracking only	The revenue obtained by the government from sources other than tax is called non-tax revenue. The major sources of non-tax revenue are Tax Sales of Goods and Service, Administrative Fees and Social contributions <b>Note:</b> based on MoF report, the total volume of non-tax revenue in 1391 was Afs 18.1 billion equivalents to US\$ 351 million. The total non-tax revenue in the first nine months of 1392 was Afs 14.3 billion equivalents to US\$ 253.5 million.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
31	Change in public perceptions toward VAT	Outcome/Impact Required by Prime Contract	Gender, region, age	Survey	Annual	TBD in perception Survey	TBD in perception survey	15% increase	40% increase	ATAR will work with a grantee or subcontractor to develop a VAT campaign for outreach on media issues, testing messages with stakeholders, including business organizations, civil society, and taxpayers, particularly women-owned businesses. ATAR will conduct a perception survey at the start of the project to determine public perception on VAT.
32	Number of permanent professional positions allocated for women within ACD	Outcome/Impact USAID requested indicator	Gender, age, education level	ACD	Quarterly	77	0	100	175	In line with the Tokyo Mutual Accountability Framework and the National Action Plan for Women, ATAR will support ACD in meeting benchmarks related to increasing female participation in elected and appointed bodies at all levels of governance to 30 percent by 2020.
33	Number of female interns completing a six-month internship in ACD	Outcome/Impact USAID requested indicator	Gender, age, education level	ACD	Quarterly	20	0	40	100	ATAR will support ACD to implement an internship program at ACD for university women. The internships will be headquarter-based rotational placements for a period of six months.
<b>PIR 3.1. Capacity of the Afghan Revenue Department to generate revenue through VAT implementation enhanced</b>										
34	Percent of audit cases selected using risk-based criteria	Outcome/Impact Required by Prime Contract	Province	Large Taxpayer Office (LTO)/ACD records	Quarterly	0	0	TBD	TBD	This indicator refers to the proportion of audit cases started in a year that have been selected using prescribed risk-based selection criteria (for example, declared outputs less than declared inputs/ input tax greater than output tax/ tax performance ratio lower than trade sector average)
35	Number of VAT audits conducted	Outcome/Impact Required by Prime Contract	Province	LTO records	Quarterly	0	0	TBD	TBD	Under this indicator, the project will report the number of VAT audits started and finalized in the year.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
36	Share of cases yielding additional assessment (revenue) to cases selected for audit	Outcome/Impact Required by Prime Contract	Province	LTO records	Quarterly	0	0	TBD	TBD	This indicator captures the proportion of cases selected for audit that have yielded additional revenue assessments (in other words, the auditor has uncovered errors or under-declarations that produce extra tax).
37	Percentage of amount assessed through tax audit which is actually collected	Outcome/Impact Required by Prime Contract	Province	LTO records	Quarterly	0	0	TBD	TBD	This indicator measures the actual amount of “extra” assessed tax that is collected in the year. It implies the efficiency of debt management procedures is being measured along with the accuracy/sustainability of assessments raised during the audit.
38	Number of U.S. government supported training events related to implementation of the VAT	Operational Plan Indicator/Output Required by Prime Contract	Province	Project records	Monthly	0	0	TBD	TBD	Training refers to an activity that takes place in Afghanistan or another country that is intended for providing knowledge on VAT.
39	Number of tax officers trained	Output Required by Prime Contract	Gender	Project records	Monthly	0	0	TBD	TBD	This indicator will capture the number of tax officers trained on VAT or other tax related topics.
40	Ratio of VAT revenue to total tax revenue	Outcome/Impact Required by Prime Contract	Province	LTO records	Annual	0	0	Tracking only	Tracking only	This indicator captures the percent of VAT generated revenue to total tax revenue.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
<b>PIR 3.2: Customs procedures to increase transparency, efficiency, and uniformity in the collection of revenue, performance of core functions, and facilitation of trade improved</b>										
41	Average Customs processing time (overall and per border crossing)	Outcome/Impact  Required by Prime Contract	Province	ACD	Annual	Herat: 6 hours 17 minutes Hairatan: 3hrs 43 minutes Jalalabad 4 hours 18 minutes Shir Khan Bandar: 2 hours 13 minutes Aquina: 3 hours 21 minutes	Will be reported in next quarter	TBD based on number of steps removed	TBD based on number of steps removed	This indicator refers to number of hours required for the custom processing of goods (both import and export at key borders.
42	Number of documents/procedures required to import and export	Outcome/Impact  Required by Prime Contract	Import, export	The current source is the World Bank Doing Business report. ACD has not yet confirmed numbers	Annual	10, import 10, export (World Bank Doing Business report 2014)	10 Import/ 10 Export (World Bank Doing Business report 2014)	TBD	TBD	The number of documents required for import and export is a key sub-indicator of "Trade across border" indicator of World Bank's Doing Business report. Based on the 2014 report, Afghanistan requires 10 documents for import and 10 for export while the average document required for South Asia is 8 for import and 10 for export.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
43	Time to export and import	Outcome/Impact USAID requested Indicator	Import, export	The current source is World Bank's Doing Business report. ACD has not yet confirmed numbers	Annual	85 days, import, 81 days, export (World Bank Doing Business report 2014)	85 days, import, 81 days, export (World Bank Doing Business report 2014)	TBD	TBD	"Time to export and import" is also a key sub-indicator of "Trade across border" indicator of World Bank's Doing Business report and has a direct effect on Afghanistan ranking. Based on 2014 report, Afghanistan requires 85 days for import and 81 days for export while the average time required for South Asia is 33 days for import and 34 days for export.
44	Number of customs systems in line with international best practices adopted	Outcome/Impact USAID requested indicator	ICD	ATAR project records	Annual	0	0	6	15	Systems refer to valuation, risk management, E-Pay, appeals, simplified import procedures, and the national hotline.
45	Number of risk management procedures adopted at customs depots	Outcome/Impact USAID requested indicator	ICD	ATAR project records	Annual	0	0	4	10	A procedure refers to risk awareness self-assessments, risk profiling, risk registers, and management controls as part of roll-out of risk management.
<b>Cross-Component Indicators</b>										
46	Number of USG-supported training events held that related to improving the trade and investment environment, number of participants, and person days of training	Operational indicator Output  Required by Prime Contract	Gender, Topic	Project training records	Monthly	0	18 trainings  267 participants including 202 male and 65 female,  166 persons days of training	30 trainings/ 300 participants	120 trainings/ 1200 participants	Training is defined as an ATAR-led training activity related to improving the trade environment. "Training" refers to an activity that takes place in Afghanistan or another country that is intended for providing knowledge on a specific topic and to build technical capacity and skills. This indicator captures trainings and seminars and is reported by training type, target group, gender, and person days of training.

#	Indicator	Indicator Type	Disaggregation	Data Source	Timing	Baseline	Achievement till end March	Year 1 Target	Life-of-Project Target	Notes
47	Person hours of training completed in trade and investment capacity building supported by USG assistance	Output  USAID requested indicator	Province, Gender	Project records	Monthly	0	1157 (Male 944, female 213)	1500	6000	This indicator captures person hours of training. Person hour refers to number of hours of training completed by an individual. If training is for two hours and 20 people participate, the person hours of training will be 40. This target for this indicator is set based on indicator No. 46 (# of trainings) assuming that each ATAR-led training maybe be on an average 5 hours.